



United Nations  
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Crisis and Renewal The Global Financial Crisis and the Challenges of Multilateralism

CRISIS AND RENEWAL

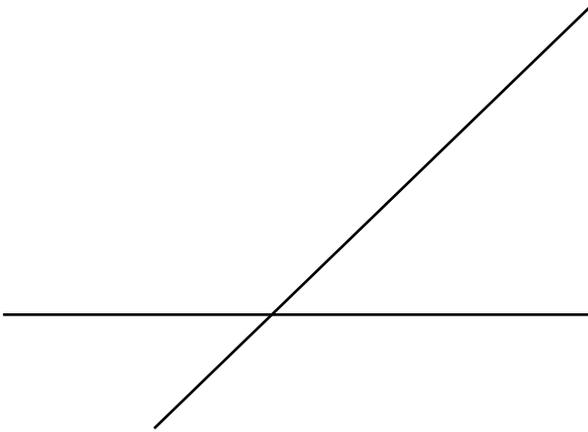
# The Global Financial Crisis and the Challenges of Multilateralism

A publication of the Foresight Section of  
UNESCO's Bureau of Strategic Planning





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Educational, Scientific and  
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CRISIS AND RENEWAL

# **The Global Financial Crisis and the Challenges of Multilateralism**

A publication of the Foresight Section of  
UNESCO's Bureau of Strategic Planning

Crisis and Renewal. The global financial crisis and the challenges of multilateralism

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# FOREWORD BY THE DIRECTOR GENERAL OF UNESCO



**IRINA BOKOVA**

A planet-wide crisis, a globalization crisis, the global economic and financial crisis struck a world already marked by the shocks of the food and the energy crises. For hundreds of millions of people living in developing countries, these crises have strengthened the overall state of crisis constituted by perpetuated poverty and extreme poverty. Systemic and global, the crisis had its origin in the richest countries, but its impact became particularly acute in the developing ones, especially in Africa, and often in silence. For, if the crisis manifested itself through striking visible effects – slowing global growth, contracting world trade, job losses – it has also had less directly observable social consequences that are likely, chiefly in long-term, to produce irreversible effects on vulnerable populations, too many of whom are women.

Because the fates of these most-at-risk populations cannot be forgotten, we must look back to this crisis, for the sake of those to whom the international community committed itself by proclaiming the Millennium Development Goals (MDGs) ten years ago. An analysis of the global financial crisis is therefore particularly important today because, first, even if the global economy, having slowed down and contracted, gives signs of recovery in some countries, it is still too early to claim that, from North to South, the world is be completely out of trouble. A glimmer of improvement should not lead to complacency and inaction. For millions of people, for many countries, the crisis remains a phenomenon with effects and consequences still very real. Accordingly, governments, whose role proved so vital to the functioning of the market, as well as international institutions, including the World Bank and the International Monetary Fund (IMF), must be alert and ready to intervene and rethink their modalities of action.

The events and decisions covered by this book may date back to early 2009, but they obviously retain their relevance for the development and implementation of policies. As there can be no foresight without hindsight, it appeared necessary to publish the contributions made by actors and thinkers at UNESCO Future Conferences and Forums, which are organized by the Section of Foresight of the Bureau of Planning Strategic. In line with the primary mandate of UNESCO, the premise of these meetings is that responses to systemic and global crises cannot have an economic and financial dimension only. The first challenge is always one of reflection and dialogue. We chose to reflect and dialog on such issues as the crisis in itself, global governance, solidarity and development, long-term investments and the need to promote new values, including equality between gender and the environment.

Along with the huge financial losses, the destruction of countless businesses and jobs or the ambitious rescue of financial institutions by the States, what struck observers and participants in our meetings was that we were also experiencing a crisis of meaning and ideas. We had abruptly switched from a predictable, reassuring and flat world to an uncertain universe. As a laboratory of ideas and a forum for global debates, UNESCO had to address the expectations created by this intellectual dimension of the crisis and help build a bridge between forward-looking reflection and strategic decisions. Governing is foreseeing. The first lesson to draw from the contributions at the UNESCO Future Forums is undoubtedly that if so major a crisis posed and continues to pose an unprecedented challenge, it must primarily be seen as an opportunity to revise our approaches and frameworks of action.

This revision of our key policy frameworks evidently pertains to the architecture of global governance. The crisis has revealed the extent to which globalization was an economic reality, but not a political one yet. Interdependence without governance is the ruin of globalization. Indeed, domestic problems are no longer confined within national borders – and the solutions cannot come from a small group of countries, be they the richest. I am referring of course to the healthy international reaction manifest in the regular summits of the G-20, because it includes the emerging economies, which together make up two-thirds of the world population. The proposals of the G-20 will eventually be needed to move towards a global economy that is more secure and sustainable.

The greater financial responsibility that we hope will emerge from the crisis can become a reality only if it is accompanied by greater social responsibility and a better consideration of the needs and expectations of the most vulnerable segments our societies. This is the lesson of the Constitution of UNESCO: global stability cannot be based “exclusively upon the political and economic arrangements of governments.” It requires the support from and the participation of the people. Numerous voices rose to point out that protection against the failure of banks could not, should not lead to forget or be detrimental to the protection of hundreds of millions of people against poverty. This concern for fairness and justice must be heard.

After demonstrating that their capacity was important in mobilizing funds at the height of an unprecedented crisis, the most advanced countries, the rich and emerging economies, cannot evade their commitments towards the most vulnerable, which often experience a permanent state of crisis. Two years after the acute phase of the crisis, some countries have announced reductions in their Official Development Assistance (ODA). Such a reduction may significantly impact the capacity of developing countries to stimulate their growth and achieve the MDGs and hence to attain thresholds prosperity in a globalized economy will inevitably benefit us all in the long run.

That is another lesson of the UNESCO Forum on which we must insist: any response to the crisis must integrate the perspective of the long-term. Recovery plans are truly strategic only if they are forward-looking. Several States have understood this, such as the United States or China, whose example was mentioned several times: to overcome the economic crisis, we must invest beyond the directly economic sectors in areas where it is known that the benefits will emerge in the long term, such as health, welfare and, crucially, knowledge, to prepare for future growth. Recalling such evidences – and one is surprised to be compelled to do so – is all the more urgent that the knowledge-based sectors, where UNESCO is involved, education, science, culture and communication and information, are very vulnerable to economic downturns because it is often assumed out of an unfortunate paradox that it is less urgent to invest in them. This indicates that we still have some way to go before effectively accomplishing the objectives of sustainable development, which command respect for the interests of both present and future generations.

Unprecedented recklessness risk-taking, obsession with short term objectives and myopic inability to plan ahead: those attitudes, in which many have seen the origin of the crisis,

betray one of its most profound dimensions. The global crisis is a market crisis, it is a crisis of governance, but it is also a crisis of the values that govern the global society. It is an ethical crisis. By organizing the Future Forum, UNESCO has chosen to highlight two areas affected by the crisis and where it has become essential to evolve policies and practices: gender equality, one of two global priorities UNESCO, and the fight against climate change, the “crucial challenge of our time” in the words of the Secretary-General of the UN, Ban Ki-moon. These two areas are different and require interventions in several sectors, but, it is important to realize that they have an ethical dimension that cannot be ignored on the pretext that the economic and financial crisis is too grave. The inequalities faced by women are visible in their social, economic and political impacts; they fundamentally infringe the rights of all people: no solution can be global in our world if does not address and foster the situations of women. This holistic perspective is what UNESCO recommends to adopt in respect to climate change, to which we cannot respond without an ethical compass pointing to more sustainable societies and economies.

The global crisis requires us to rebuild the economy differently, it requires us to build societies differently, and throw together the foundations of a new humanism for the twenty-first century.

Irina Bokova

I. UNESCO FUTURE FORUM  
THE GLOBAL FINANCIAL  
AND ECONOMIC CRISIS:  
WHAT IMPACT ON  
MULTILATERALISM AND  
UNESCO?

# PROGRAMME OF THE UNESCO FUTURE FORUM

## OPENING SESSION

### THE GLOBAL FINANCIAL AND ECONOMIC CRISIS – ITS PARAMETERS AND POTENTIAL IMPACT ON MULTILATERALISM

Introductory Remarks by **Hans d'ORVILLE**, Assistant Director-General of UNESCO for Strategic Planning

Opening Speech by **Koïchiro MATSUURA**, Director-General of UNESCO (1999-2009)

#### Messages by

**George ANASTASSOPOULOS**, President of the General Conference of UNESCO (2007-2009) and Ambassador Permanent Delegate of Greece to UNESCO

**Olabiya Babalola Joseph YAI**, Chairman of the Executive Board of UNESCO (2007-2009) Ambassador Permanent Delegate of Benin to UNESCO

#### Keynote Addresses by

**Aart de GEUS**, Deputy Secretary-General of the Organisation for Economic Co-operation and Development (OECD). Former Minister of Social Affairs and Employment of the Netherlands

**Abdoulie JANNEH**, Under Secretary-General of the United Nations and Executive Secretary of the United Nations Economic Commission for Africa

**Mohan MUNASINGHE**, (by video conference) (best viewed using Windows Media Player) Vice-Chair of the United Nations Intergovernmental Panel on Climate Change (IPCC) and Chairman of the Munasinghe Institute for Development, Sri Lanka

## FIRST SESSION

### THE IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS ON DEVELOPING COUNTRIES, IN PARTICULAR IN AFRICA, AND THE PROSPECTS FOR ATTAINING THE INTERNATIONALLY AGREED DEVELOPMENT GOALS, INCLUDING THE MDGS

Moderated by **Alison SMALE**, Executive Director, "International Herald Tribune"

**Michel DEBRAT**, Deputy Director-General of the Agence française de développement (AFD) and Counsellor of the "Fondation pour l'innovation politique"

**José Manuel SALAZAR**, Executive Director, Employment Sector of the International Labour Organization (ILO)

**Aminata TRAORE**, President of the “Forum pour un autre Mali” and former Minister for Culture and Tourism of Mali (1997-2000)

**Kevin WATKINS**, Director of the UNESCO Education For All Global Monitoring Report

## SECOND SESSION

### INVESTING OUT OF THE CRISIS – IN EDUCATION, SOCIAL SERVICES, SCIENCE, CULTURE AND KNOWLEDGE

Moderated by **Andrea SANKE**, journalist, “France 24”

**Nicholas BURNETT**, UNESCO Assistant Director-General for Education

**Walter FUST**, Director of the Global Humanitarian Forum, Chairperson of the International Programme for the Development and Communication Council and former Director-General of the Swiss Agency for Development and Cooperation (SDC)

**Mohamed H.A HASSAN**, Executive Director of the Academy of Sciences for the Developing World (TWAS) and Secretary-General of the Third World Network of Scientific Organizations (TWNISO)

**Gudmund HERNES**, Former Minister of Education and Research and Minister of Health of Norway; researcher at the Fafo Institute in Oslo and Professor at the Norwegian School of Management

## THIRD SESSION

### THE POTENTIAL IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS ON WOMEN AND GENDER EQUALITY

Moderated by **Attiya INAYATULLAH**, Member of the National Assembly of Pakistan and former Minister for Women Development Social Welfare of Pakistan

**Mayra BUVINIC**, Director, Gender and Development, Poverty Reduction and Economic Management of the World Bank

**Diane ELSON**, Professor of Sociology at the University of Essex, U.K. and co-director of the Levy Institute’s program on Gender Equality and the Economy

**Carmen MORENO**, Ambassador of Mexico and Director of the International Research and Training Institute for the Advancement of Women (INSTRAW)

## FOURTH SESSION

### WHAT IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS ON CLIMATE CHANGE AND PROSPECTS FOR GREEN ECONOMY?

Moderated by **Eric GLOVER**, Chief of Ecology, science and Technology, “Courier International”

**Hilary FRENCH**, Senior Advisor for Programs at the Worldwatch Institute, special advisor to the United Nations Environment Programme (UNEP)

**José GOLDEMBERG**, Rector of the University of São Paulo, former Secretary for the Environment of the State of São Paulo (2002-2006) and until 1992, Secretary of State for Science and Technology and Minister of State for Education of the Federal Government of Brazil

**Yolanda KAKABADSE**, General Counsel and former Executive President of the Fundación Futuro Latino-americano; former Minister of Environment of Ecuador and former President of the International Union for the Conservation of Nature (IUCN)

**Anders WIJKMAN**, Member of the European Parliament and Vice-President of the Club of Rome; former Assistant Secretary-General of the United Nations and Assistant Administrator of United Nations Development Programme (1995-1997)

# SUMMARY OF THE UNESCO FUTURE FORUM

## OPENING SESSION

### THE GLOBAL FINANCIAL AND ECONOMIC CRISIS – ITS PARAMETERS AND POTENTIAL IMPACT ON MULTILATERALISM

In his welcome address, **Hans d’Orville**, Assistant Director-General for Strategic Planning, underlined the importance of an international laboratory of ideas like UNESCO if we want not only to respond to the current global crisis but also to act in order to prevent future crisis. In a global financial and economic crisis of such magnitude and uncertainty, it had to be clear that multilateralism was a key part of the solution and that it was not time to scale back on investments in global public goods: there would be no sustainable way out of the crisis if poverty reduction, education, science, culture and communication were not properly addressed nationally, by States, and internationally, through “strategic joint action” by the UN system organizations.

The Director-General of UNESCO, **Koichiro Matsuura**, affirmed that the global financial crisis could be resolved only through international cooperation and a shift in priorities towards greater solidarity. The financial crisis was an ethical one and compelled us to re-examine the aspiration governing our global society. We had to use this crisis to make the multilateral system more inclusive, effective and coherent, especially in addressing the present and future needs of developing countries. In this crisis, UNESCO had the duty to foster international development, protect the world’s poorest; ensure access to fundamental social services and global public goods, promote gender equality; and mobilize action to address environmental threats, in particular climate change.

UNESCO, the Director-General continued, had a special responsibility to monitor, protect and promote fundamental pillars of society – education, the sciences, culture and communication – which were nonetheless often the first to be hit in a recession. But with research showing that each extra year of schooling boosted GDP per capita by 4 to 6%, education was one of the smartest investments a country could make. A counter-cyclical injection of resources in education now would not only help spur a recovery but also support more vigorous growth in the future. Since developing countries, especially in Africa, could not afford such an education stimulus plan, donors had to account to their promise not to let countries seriously committed to achieving EFA fall behind for want of resources. UNESCO was working with Italy at placing education on the agenda of the next G8.

In the Director-General's view, the crisis was thus an opportunity to discuss the types of bold policies needed to lay the foundations for more inclusive and sustainable societies. This was why the issue of the impact of the financial crisis on climate change was so crucial: nothing would be more dangerous than to let the crisis prevent us from reaching a robust climate deal in Copenhagen in December. We had to support a greener low-carbon growth and help countries – in particular the poorest – mitigate and adapt to climate change that was already taking place. But we did not just need to increase spending on green technologies, we also needed to strengthen the long-term capacity of countries – especially developing countries – to drive the research for even better solutions and better understanding of climate change, which was what UNESCO was already working at with many countries – including 19 in Africa.

In his message, **George Anastassopoulos**, President of the UNESCO General Conference and Ambassador Permanent Delegate of Greece to UNESCO, underlined that the novel question being asked in the current crisis was not whether but what changes should be made to the balance of power in the international financial system. We who operated with soft-power should feel encouraged to deconstruct the policy assumptions that led to the crisis, but also promote a socially responsible global governance, addressing the needs and interests of the most vulnerable segments of our societies. To paraphrase UNESCO's Constitution, stability exclusively based upon the political and economic arrangements of governments would not secure the unanimous, lasting and sincere support of the peoples of the world. In this light, education, sciences and technology, communication, knowledge and culture were some of the soundest investments nations could make to secure long-term peace and stability.

The attention given to the global financial and economic crisis on the international scene was not, in the opinion of **Olabiyi Babalola Joseph Yai**, Chairman of the UNESCO Executive Board and Ambassador Permanent Delegate of Benin to UNESCO, solid proof that the crisis was well understood. This crisis being highly illegible and uncertain, we needed to avoid short-sightedness in our reflection on the crisis. Following UNESCO's ideals, we had above all to listen to the voice of the most vulnerable and the poorest, that was the voice of those who had been kept voiceless for so long. Following UNESCO's ideals, we should also remember that this crisis – provoked by a few, experienced by all – had ethical dimensions and that it was a crisis of meaning.

Because the current financial crisis was probably the gravest and most global crisis in our lives, **Aart de Geus**, Deputy Secretary-General of OECD, affirmed, it demanded coordinated global solutions based on togetherness, multilateralism and partnership. Since our economies now grew and decelerated at the same time, the only way forward was an inclusive multilateralism with developing countries integrated in the decision-making process. But to build a better global economy free of the risks of excessive deregulation with bad supervision, to overcome the deficiencies of our global governance, we would need much more than a new financial and economic regulatory framework. We would also need a major cultural change; both in our societies and in our leaders. This was why the role of UNESCO was central in solving this

crisis: we needed a new map for human progress, a map based on core values like inclusiveness, equity, sustainability, diversity and tolerance.

The current crisis originated in advanced countries, but, **Abdoulie Janneh**, Executive Secretary of the United Nations Economic Commission for Africa, insisted, its impact was already being felt in all developing countries and Africa in particular. The current crisis threatened to erode the recent economic and social gains made by African countries. It could considerably curtail their ability to boost growth and achieve the MDGs. To minimize the effects of the financial crisis on African economies and create a sound basis for sustainable growth, we needed to strengthen economic and financial policy management, mobilize domestic revenues more effectively, and protect the most vulnerable segments of society through increased investment in education, health and infrastructure. Africa also had to be better represented in decision-making organs of international financial institutions. In addition to national and international actions, closer attention had to be paid to the regional and sub-regional dimensions addressed by such a body as the UNECA.

**Mohan Munasinghe**, Vice-Chair of the United Nations Intergovernmental Panel on Climate Change (IPCC), pointed that we needed an integrated response to the global economic crisis and the multiple challenges of sustainable development and climate change. The global financial crisis hit us at a time of multiple global issues: poverty and inequity, competition for scarce resources, environmental damage and climate change, etc. We were faced with different scenarios of the future. On the one hand, we have the barbarization scenario, where unrestrained market forces aggravate the environmental crisis and erode the moral underpinning of civilization thus creating chaos, putting the MDGs off course and widening social and economic gaps. But we could also reduce poverty and respond to climate change by resorting to green growth, responsible consumption and sustainable development. For this, we needed more inclusive governance systems that could bring governments, civil society and businesses to operate together and protect the most vulnerable populations, foster innovation and invest more in such sectors as education and culture.

## FIRST SESSION

### THE IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS ON DEVELOPING COUNTRIES, IN PARTICULAR IN AFRICA, AND THE PROSPECTS FOR ATTAINING THE INTERNATIONALLY AGREED DEVELOPMENT GOALS, INCLUDING THE MDGS

**Kevin Watkins**, Director of the UNESCO EFA Global Monitoring Report, held that the global financial crisis had to be viewed against the backdrop of the MDGs. Although progress has been made in poverty reduction or education, it remains that most countries were off-track in most targets and that the donor community as a group was very late in delivering on its commitments. The impact of the crisis in the developing countries has not made the front news but they were going to suffer from it through declining world trade, financial flows and

remittances. The countries that the crisis would hit the hardest were the least resilient ones, those with limited fiscal space which were often the very same that have the lowest achievements rates in education targets. For these most vulnerable countries, urgent measures were needed: real-time monitoring of the impact of the crisis on their budgets in education, health and social services; an aid development stimulus plan to channel money into resources envelopes like the Education for All Fast-Track Fund.

To **Michel Debrat**, Deputy Director-General of the Agence française de développement (AFD), the core question behind the crisis pertains to the nature of our world today, a world of interdependency where the local effects of global environmental or financial crises were felt continents away. In this world, the current financial crisis was likely to have long term adverse effect in developing countries – in Africa in particular, because by 2025 its population was predicted to double and its urban population was expected to triple. But the crisis could also be an opportunity for change. Africa has the potential to thrive in a green economy based on renewable energies. Political commitment and public action would be mobilized if decision makers were provided with adequate information and indicators. Since the MDGs had progressed in countries with growing economies, the private sector would have to receive careful attention. On a more fundamental dimension, cultural issues would have to be address so that societies re-examine their relationship to the world, the future, to wealth or to the environment.

For **José Manuel Salazar-Xirinachs**, Executive Director, Employment Sector of ILO, 2009 was the year that the crisis would hit labour markets turning into a global jobs and unemployment crisis and also into a social and political crisis in a number of countries. Many indicators suggest that the crisis was deepening and would have much broader and longer effects than initially thought, both in developed and developing countries, which have been affected surprisingly quickly and strongly and risk losing the benefits of the progress made in the last decade. The global and synchronized nature of the crisis means that national tools were not enough, international and multilateral action was imperative in the areas of financial governance, trade openness, aid to the most vulnerable, labour market and social policies. The UN credibility was at stake and it needed to provide new, innovative ideas and to build solid partnerships with the private sector, because business engagement around social and development issues was more important than ever.

**Aminata Traoré**, President of the “Forum pour un autre Mali” and former Minister for Culture and Tourism of Mali, claimed that one major lesson from the global financial and economic crisis was that those who had been the winners of the system have no real answer for the meltdown they provoked. It was high time to re-examine the rules of the 60-year old multilateral game and get rid of a system where a minority of rich people could levy the wealth of the majority and where fierce competition generates inequities and conflict – especially in African countries, which never had a genuine opportunity to promote an agenda of their own. Because Africa has been told to abide by the rule of free markets, it was now dependant of external investors who were not accountable to the people. To have African solutions available, Africa needs African experts and, to disseminate information to the populations, it needs address

them in languages they understand. Above all, new values have to be heralded, values based on a culture of humanism not on just on economic principles.

During the **debate** between the panellists and the audience, it emerged that the global financial crisis resulted from a failed governance system, which did not address inequities to their full extent and proved unable to buffer the effects of the crisis on the most vulnerable populations. It was agreed that only a renewed multilateralism could help the planet out of a crisis of such magnitude and help prevent new ones. Many participants advocated for an emphasis on local production and regional markets, pointing that developing countries, the African ones in particular, could not be autonomous on the global scene without strong industrial and rural local capacities and an integrated regional environment. To all the participants, it was deemed urgent to address the ethical and cultural underpinning of the crisis. To some, values of openness and transparency should be the cornerstone of tomorrow's world, while, to others, a strong reassessment of capitalism was needed.

## SECOND SESSION

### INVESTING OUT OF THE CRISIS – IN EDUCATION, SOCIAL SERVICES, SCIENCE, CULTURE AND KNOWLEDGE

Investments in education had to be maintained, **Nicholas Burnett**, Assistant Director-General of UNESCO for Education, contended, because we had to secure the unprecedented but fragile progress that occurred in the last decade. Such progress was made possible by an increased political commitment – thanks in part to the vision inscribed in such international initiatives as EFA and MDGs – and sustained economic growth. Taking lessons from past crises into account – while minding that not every crisis was the same –, we could envision sustainable solutions to the crisis such as counter-cyclical investments (e. g., protect or increase public spending on education), maintain and increase aid commitments (with added efforts on actual disbursement), special measures to help the poorest (safety nets), increase efficiency and transparency in the economy. In this crisis, education had to be high on the agenda: we had to keep a vision, protect gains made and monitor situations, reaffirm that education was both a universal right and a fuel of growth, and exploit short-term synergies between investing in education and economic recovery.

**Walter Fust**, Director of the Global Humanitarian Forum, held that incertitude was a key word in this multidimensional and multilayered crisis, the effects of which were likely to interfere with those of such previous crises as climate change. The most pressing problem today was that we did not know if we have the vision and the governance structures to address so many issues at the same time both locally and internationally. UNESCO could play a key role in investing out of this crisis because its mandate was centered on the kind of domains and values indispensable to invest out of this crisis. Education was the best investment against the crisis because it was a long term investment that would help the next generation shape its own future. We needed to

create a movement to mobilize people so that they could pressure their leaders to review their strategic priorities and not to scale back on spending on sectors like education.

The global financial crisis was a risk for developing countries, but, in the view of **Mohamed Hassan**, Executive Director of the Academy of Sciences for the Developing World (TWAS) and Secretary-General of the Third World Network of Scientific Organizations (TWNISO), it could be an opportunity for change if they had a strategic vision for the future. The financial crisis should not obliterate the global sustainability challenge which would not be solved without massive investments in research innovation, education and knowledge, which were critical to create new jobs and opportunities. Developing countries should follow the example of countries like China and the United States, which planned to invest in science and technology to revive their economies. The developing countries should not repeat the errors that led them to reduce science budgets in times of crisis. This resulted in losses of human capital and capacities to produce their own science, a mistake for which African countries were still paying for. In this crisis, UNESCO and other relevant platforms had to convince developing countries governments not only to maintain the knowledge budgets at the current levels – which were very low – but to increase them.

For **Gudmund Hernes**, former Minister of Education and Research and Minister of Health of Norway and Professor at the Norwegian School of Management, the financial crisis was not just financial; it was also a crisis of understanding: there was no consensus on what to expect or do. We could nonetheless foresee how the crisis was likely to affect the demand and the supply sides of the education sector. Because of its impact on the economies, the revenues and the labour markets, the most vulnerable segments of our societies were going to be hit the hardest: children dropping out or pulled out of school and put to work, especially in countries where parents, not the State, pay for most of the schooling fees. The crisis could also affect the quality of schooling due to less textbooks available, crowded classrooms and fewer teachers – and less well trained ones – in front of the students – which means that the financial crisis would also be a crisis of human capital. To prevent regresses in education, especially in the South, emergency monitoring procedures should be implemented. If we do not act, the crisis would not be just another phase of creative destruction, it would destroy creativity itself.

The **debate** started with interrogations on the crisis as an opportunity to increase the role of ICTs and mobile technologies in education. It appeared that while those technologies had a rich potential to transform learning, distance learning or teacher training, it should not be forgotten that they had to be expanded along with the human skills to use them and that in education and science, contents remain important – especially if we were to transmit values and teach mutual understanding. As for the effects of the crisis on the brain drain in developing countries, it was observed that it would undoubtedly vary in relation with regions and professions, even if there were strong worries for the situation of African countries. The debate addressed the impact of the crisis on the investments in culture, which were in danger because they were usually considered a luxury. It was suggested that UNESCO's field offices could monitor what was happening in culture budgets so as to be able to fight for their integrity. Corporations could

also be incited to invest in local culture activities as opportunities for capacity building. It was concluded that cutting back on education today would translate into slow growth tomorrow.

## THIRD SESSION

### THE POTENTIAL IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS ON WOMEN AND GENDER EQUALITY

**Attiya Inayatullah**, Member of the National Assembly of Pakistan, introduced the session stressing that the crisis was having a preoccupying impact in areas usually affecting women and families. **Mayra Buvinic**, Director for Gender and Development, Poverty Reduction and Economic Management at the World Bank, agreed, adding that the crisis would have specific impacts on women which, if not addressed, would both increase current poverty and imperil future development. Lessons from past crises told us that women would suffer from losses of employment, declining resources for microcredit, decreasing revenue from remittances. Considering that vulnerable households already had to face the food crisis, different coping strategies were available to them: sending women to work at the expense of the implementation of the unpaid services they usually provided; pulling children, especially girls, out of school; cutting back on health, which led to increased child mortality, especially for girls. Effective policy responses should build on women's roles as economic agents because it was demonstrated that when they gained income, long-term social welfare was improved. The World Bank was committed to make women a priority investment especially in countries where they were most vulnerable to effects of the crisis, and where UNESCO should make sure that girls were kept in school.

Noting that the effects of the crisis would depend on the economic and social models of the countries affected, **Diane Elson**, Professor of Sociology at the University of Essex, U.K., proposed two contrasted scenarios. On the one hand, the financial crisis could result in increased difficulties for women. But, on the other hand, the crisis could help take steps leading to significant advances if women's rights were fully addressed as human rights. If one major issue was that men get privileged access to school, decent jobs and other social goods, another one was that leaders still needed to be convinced that the unpaid activities and services borne out by women in the household were crucial for the well-being of society. In an optimistic scenario, women would, first, have equal decisions on budgets (and women tend to focus more on social budgets), equal access to decent jobs (the crisis could be an opportunity to invest in teaching women the skills needed for green growth). Second, efforts should be made to monitor the impact of the crisis on unpaid services and to build an inclusive social solidarity with men sharing those responsibilities.

**Carmen Moreno**, Ambassador of Mexico and Director of the International Research and Training Institute for the Advancement of Women (INSTRAW), affirmed that the crisis was an opportunity to build a new financial architecture with a gender perspective and to mainstream

a new paradigm of gender equality in the culture, which would require men to be sensitized to these issues. There was a consensus on the global nature of the crisis but there was no consensus on its future impacts both in terms of economic and political stability. Women were the invisible face of the crisis. Their jobs were often more precarious and less paid than men's. Women were more than 50% of the unemployed and they lose their jobs at twice the rate of men. They represented a majority of the world poor and of the 100 million people thrown into poverty by the compound effects of the 2008 crises. Additionally, there were fears that, for women, the crisis could increase discriminations, violence, human rights violations, human trafficking. To produce equal opportunities and changes in gender roles, we needed counter-cyclical gender oriented measures, increased gender consciousness in international institutions, and a better representation of women in decision-making.

During the **debate**, participants noted that the financial crisis started in a mainly masculine environment where women were still blocked by a glass ceiling. Some participants affirmed that there should be a better representation of women in the boardroom and in the decision-making places. Along with changes in the culture of our economic institutions, social changes should be promoted so that women get a social protection from wrong norms and patriarchal traditions. Gender oriented education for women, girls, men and boys remained central to fight HIV/aids, to lift social taboos and inform populations about the rights of women.

## FOURTH SESSION

### WHAT IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS ON CLIMATE CHANGE AND PROSPECTS FOR GREEN ECONOMY?

Noting that we were not on the right course to curb carbon dioxide emissions down, **Hillary French**, Senior Advisor for Programs at the Worldwatch Institute, underlined that climate change was inextricably linked with economics. Thus there would be climate challenges posed by the global financial crisis. Alternative energy companies were already having difficulties financing investments and energy intensive industries may oppose climate regulation. Foreign aid spending could be threatened, complicating efforts to forge North-South deal on climate change. But there were also climate opportunities linked with the crisis. Declining carbon emissions due to recession may buy time for technological advances and policy innovations. Also, economic stimulus packages may generate substantial funding for promoting low-carbon energy paths. There was room also for international global initiatives such as UNEP's Global Green New Deal that would link responses to the economic crisis with efforts to address environmental problems.

**José Goldemberg**, Rector of the University of São Paulo, former Secretary for the Environment of the State of São Paulo, Brazil, voiced his optimism concerning the financial crisis as an opportunity to rethink our energy systems. Currently, the 80% fossil-based system was proving good for only a quarter of humanity and it was now in crisis because of a predictable

exhaustion of the resources, concerns for the security of supplies and environmental problems. Stimulus packages in industrialized countries were an opportunity to both invest out of the crisis and build a new energy model: increased efficiency, reliance on renewable energies, cleaner fossil fuels and safer nuclear technologies. Developing countries also have an opportunity: they have an advantage as late comers in the industrialization process. Rather than mimicking the industrialized nations, they could leapfrog over some of the dirty and wasteful steps originally followed by industrialized countries and incorporate currently available modern and efficient technologies into their development process.

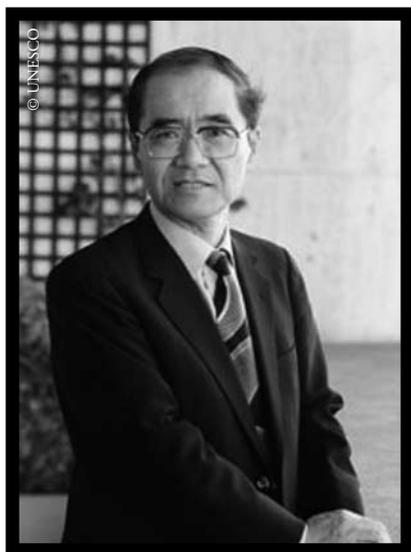
**Yolanda Kakabadse**, General Counsel of the Fundación Futuro Latinoamericano, former Minister of Environment of Ecuador and former President of the International Union for the Conservation of Nature (IUCN), judged that the financial crisis did not happen as a surprise because we could see it coming: we had high number of poor and vulnerable people, wasteful consumption patterns, environmental problems, climate change. But environmentalists had failed to communicate adequately and tell the world that we cannot survive unless we manage nature in a much more healthy way. We had to stop using ecosystem services as if natural resources, biodiversity or fresh water had no value or no price. The shock of the financial crisis should open our eyes enough to take us into looking for creative solutions to manage the environment better. We had to provide decision makers in government or the private sector, the media and civil society with information on how to use ecosystems and biodiversity in an economic and ecologic way. It would be important that the language of science be translated into the language of decision makers and civil society.

For **Anders Wijkman**, Member of the European Parliament and Vice-President of the Club of Rome, the financial and climate crises had the same roots: a sick system that only collapsed with the banks but had been unsustainable for too long. In both financial and climate crisis, warning were issued that were not addressed by decision makers. Now was the time to rethink our policy framework because the existing one had led us to a disaster. In the short term, we should use stimulus packages for green investments, better management of ecosystems and more efficient uses of natural resources. In the long term, we had to adopt a sustainability approach and organize science and education around an interdisciplinary or holistic view on problems; we should rethink the way we conceive and teach economics. This would help us to go beyond GDP and to rethink business models so as to give a value to natural capital or ecosystem services and identify who was accountable for which uses of nature, resorting to the polluter pays principle, for example. We should learn from nature, address populations and reform global governance.

The **debate** started with a question as to whether the industry could meet its needs with renewable energies. Governments, it was answered, had been subsidizing fossil and nuclear energies for a long time, leaving renewable alternative to venture capitalist – who were being hit by the crisis at this time: since new industries always needed subsidies, now was the time for governments to reassess their investment priorities. It was observed that carbon emission trading markets have a measure of success but that there was a lot of room for innovation

and creativity, not only in the polluting North but also in the developing countries, who could, for example, invest in emission prevention. It was agreed by the panellists that the problem of the day was not "growth" but "what growth" and that there was a growing need for alternative measures of wealth, focusing not only on quantitative criteria but on qualitative ones, in the line of the Human Development Index of the UNDP. Using the ecological footprint index, it was concluded that the human world was experiencing a crisis of its environmental credit.

# OPENING SESSION



## **KOÏCHIRO MATSUURA**

Koïchiro Matsuura (Japan) was Director-General of UNESCO from 1999 to 2009.

# KOÏCHIRO MATSUURA

The world faces a global crisis of unprecedented scale; it can only be resolved through international cooperation and solidarity. When I attended the World Economic Forum in Davos in late January, the main theme of discussions was indeed how to overcome this global crisis. Next month in London, G-20 leaders will meet to try to reach international agreement on coordinated actions to revive the global economy and reform financial sectors and institutions, building on the outcomes of last November's Summit in Washington. The international community will be following these discussions very closely; they are likely to have profound implications for the future shape of global economic development and international financial systems.

Like other organizations represented here today, UNESCO has been looking hard at how it can best contribute to international efforts to overcome the crisis. While UNESCO does not have a direct role in managing the global economy, our work, like that of other multilateral agencies, is directly affected by the current meltdown. It is important that we understand this impact and respond swiftly and appropriately according to our respective mandates and expertise. We also need to make sure that our responses are coordinated and targeted towards helping those most in need. This is why UNESCO has convened today's Forum. Our aim is to examine the present and potential future implications of the crisis for multilateralism. It is also to look at how the multilateral system can play its part within a coordinated global response. The focus will be on those areas where we carry unique responsibilities. This includes: international development, and our duty to protect the world's poorest; ensuring access to fundamental social services and global public goods; promoting gender equality; and mobilizing action to address environmental threats, in particular climate change.

We have with us to explore these issues a distinguished set of speakers. Let me welcome and thank you all for making time in your busy agendas to be here today. I would like to use these opening remarks to make a couple of general points, before turning to the specific subjects on our agenda. My first comment may seem obvious, but it must be made. We are in the eye of a storm that is still gathering pace. The financial crisis, still raging, is now wrecking devastation on the real economy. In terms of growth, unemployment, trade, investment – predictions are bad and are likely to get worse. No one can safely anticipate the extent of the damage. But one thing is sure. The crisis affects everyone. And those who will be hardest hit are those least responsible. As always, it is the poor who will suffer the most. For them, the financial crisis compounds the food crisis, the energy crisis, the development crisis. We have to admit that, taken together, these crises provide compelling warnings that our patterns of development are simply not sustainable.

Yet we must also recognize – and this is my second point – that with this period of crisis comes a unique opportunity for change. Times of uncertainty open up possibilities for profound transformation. We must seize this chance, and use it to bring about more inclusive societies, more stable and equitable growth, and more responsible habits of consumption – financially

and environmentally. This is where the contribution of the multilateral system is so important. The economic crisis has brought into sharp focus our interdependence. We have seen how what happens in one part of the world can affect us all. Multilateralism provides a platform where countries can come together, on an equal basis, to find solutions to such common challenges. That is why one of the most serious worries is the possible return to political and economic protectionism. Were this to happen, it would not only weaken our capacity to resolve the current crisis. It would also undermine the work that institutions, like UNESCO, have been doing over the past 60 years to forge a culture of international dialogue and solidarity. There is therefore an urgent need to reaffirm the principles and practices of multilateralism. However, to do this, and for countries to see the benefits of international cooperation over unilateral action, the multilateral system must be seen to be credible and strong. And for this to happen we need to show that the system can change and respond to new needs and realities.

This is my third point. We must use this crisis to make the multilateral system more inclusive, effective and coherent. In many areas this is already happening. The UN's commitment to "deliver as one" at the country level is one important example of how the multilateral system is strengthening the impact of its action. UNESCO is fully engaged in these UN system-wide efforts. Within the Organization, too, we are constantly seeking to improve the way we work. These efforts need to be deepened and accelerated. However, it is not enough to address the structures of global governance. We also have to look at the moral foundations of our international community. Our institutions are only as strong as the values that underpin them.

This leads to my fourth point. The financial crisis is also an ethical crisis. It compels us to re-examine the aspirations that govern our global society. Here, I believe, we would do well to remind ourselves of the origins of the multilateral system, and to the founding vision of the UN which stands at its heart. After a devastating war, our founders knew that the only solid basis for human progress lay in respect for the dignity and equality of the human person and the social and economic advancement of all peoples. This is why the UN was created, and why UNESCO was founded to promote these ideals through education, science, culture and the free exchange of knowledge and ideas. The importance and relevance of this task remains. But we must be flexible and forward thinking in our efforts to achieve it. The current crisis calls for new partnerships, bold actions, and innovative ideas. I am sure today's discussions will be most valuable in this regard.

Let me now turn to the specific questions on our agenda, and why they are so important. You will look first at the impact of the crisis on developing countries and prospects for achieving international development goals, including the MDGs and Education for All (EFA). I said at the beginning that the primary duty of the multilateral system, in particular the UN, is to protect the poorest and most vulnerable. This is a moral imperative. It is also a social, political and economic imperative. No one can afford the consequences of injustice and poverty. We have seen in the rising social tensions of past weeks the fragility of societies when livelihoods are threatened or lost. Unless we act, not just to protect the poorest from the effects of the downturn, but also to

address head-on the deep inequalities in our world, the dangers in terms of global instability and conflict cannot be overstated.

Developing nations are particularly vulnerable. The current meltdown risks undoing the hard-won gains of recent years. The World Bank warns that the economic crisis has already pushed an estimated 100 million people back into poverty. As growth slows, and trade and foreign investments dry up, the human implications for the poorest countries and households are potentially devastating – in terms of children taken out of school, of worsening public health, of lives lost to malnutrition and disease. It is the role of the UN, and of UNESCO, to see that this does not happen. We cannot allow rich countries to use this crisis as an excuse to turn their back on the world's poor. Measures to revive growth and fix the financial system must be coupled with greater efforts to tackle the structural problems of extreme poverty and inequality.

We urgently need a new push by donors to meet their aid commitments. The economic slowdown in developing countries makes increased external support more important now than ever. Yet, aid has been stagnating since 2005, and there is a real risk of it now dropping. We need bold new measures to reverse this trend. The World Bank has proposed that developed countries use 0.7% of their stimulus packages to finance a vulnerability fund to support developing countries. What is clear is that unless dramatic steps are taken to scale up aid, the poorest countries will fall even further behind. Demographic trends threaten to worsen the situation. With the population of Africa expected to double in the next 35 years, to cut investment now in poverty-reduction efforts would be a recipe for social disaster.

However, it is not enough, at this time of economic crisis, to call for more aid for development. We also need to explain where this aid is most needed and how it can be spent in ways that would both kick-start growth and support more inclusive and sustainable development in the longer term. In your sessions this afternoon you will focus on three key areas: the social sectors; gender equality; and the environment. Let me say a few words about these issues from UNESCO's perspective. UNESCO has special responsibility at this time of crisis to protect and promote those fundamental elements of society – education, the sciences, culture and communication – that make human development possible but which are often the first to be hit in a recession. We do this because to have an education, to share in the advancement of science, to take part in cultural life and to express oneself freely – these are human rights that should be enjoyed by everyone at all times. We also do this because we believe that these rights are the foundations upon which true freedom and prosperity lie. If we want to “build back better”, and foster stronger, fairer and more cohesive societies, it is here that we must begin.

Let me take the example of education. Spending on education is one of the smartest investments a country can make. It brings positive benefits across the board, from reducing poverty and improving health, to strengthening democracy and driving economic competitiveness. Research shows that each extra year of schooling boosts GDP per capita by 4 to 6%. A counter-cyclical injection of resources in education now would not only help spur a recovery but also support more vigorous growth in the future. The new US administration has shown how this can be done. It has included in its recovery package over 105 billion dollars for education. This money

will provide an immediate stimulus to the economy – through school building, for example, and by saving teachers' jobs. But by targeting inequalities, pushing through improvements in standards and skills, and keeping higher education affordable, it is also laying the basis for a stronger society and more resilient and vibrant economy.

However, not all countries have the possibility to issue huge stimulus packages. Last week I was in Libya for a meeting with the African Union Commission and regional economic organizations. African countries have made tremendous progress since 2000 in expanding primary schooling. They have expressed their firm determination to continue these efforts, despite the current downturn. But they cannot do it alone. They need external support. Yet even before the financial crisis, annual aid to basic education was falling far short of what is needed – both in terms of quantity and in terms of the type of long-term predictable support that education requires. In this context, UNESCO and its partners must act – and quickly.

We must call donors to account for their promise that no country seriously committed to achieving Education for All will fail for want of resources. UNESCO is already in discussions with Italy to make sure education is on the agenda of the next G8. We need to identify countries and populations most dependent on aid so as to better target limited resources to those most at risk. The next edition of UNESCO's *EFA Global Monitoring Report* will give special focus to this. We must also be ready with the data and advice to help national governments put in place the right policies – policies that protect the most vulnerable while also tackling the causes of poverty and exclusion.

You will be looking this afternoon at the impact of the crisis on gender equality. Girls often bear the brunt of economic shocks. They are the first to be taken out of school and put to work. Yet we also know that educating girls has a huge multiplier effect on development – with positive impacts on health, fertility rates, household income and more. Policies keeping girls in school during a downturn – such as cash-transfer systems – were both a matter of social justice and good economics.

The impact of the financial crisis on climate change is the final item on your agenda. There would be nothing more dangerous than to let the crisis deflect us in our resolve to address this threat and reach a robust climate deal in Copenhagen in December. Measures to stimulate the economy must go hand in hand with policies that support greener low-carbon growth. They must also help countries – in particular the poorest – mitigate and adapt to climate change that is already taking place. There have been many discussions on the form such a "new green deal" should take. One key issue – which has not yet received the attention it deserves – is the importance of sustaining investment in science and innovation. Yes, we need to increase spending on green technologies. But, we also need to strengthen the capacity of countries – especially developing countries – to drive the research for even better solutions and better understanding of climate change. UNESCO is already working with many countries – including 19 in Africa – to develop strong science policies and bolster human and institutional capacity to lead innovation. While investment in these areas may not bring immediate returns, cuts would incur huge losses in terms of long-term competitiveness and environmental security.

However, we need to go one step further in our response. And here I come back to what I said at the beginning. To tackle climate change – or any of the global crises we face – it is not enough to develop smarter technologies to mitigate their effects or stronger regulations to control the damage. We have to change the attitudes and behaviours behind them. This takes time. It isn't something that can be calibrated in terms of a stimulus effect. But without a deeper shift in priorities – towards greater solidarity and respect for each other and our planet – our growth and development will remain vulnerable to crises like those we face today. It is towards such a shift in priorities that this Organization, UNESCO, has been working since its creation. In light of the current crisis, UNESCO must redouble its efforts – to advance education for all; to mobilize science for development; to address emerging social and ethical challenges; to promote cultural diversity and intercultural dialogue; and to ensure the free exchange of knowledge and ideas.

It is why we convened today's Forum. Today is an opportunity to discuss the types of bold policies we need to find a way out of this crisis. It is also an occasion to reflect on how we can lay the foundations for more inclusive and sustainable development.



**GEORGE ANASTASSOPOULOS**

President of the UNESCO General Conference (2007-2009) and Ambassador, Permanent Delegate of Greece to UNESCO.

# GEORGE ANASTASSOPOULOS

We are experiencing what the IMF considers to be “the most serious economic dislocation since the Great Depression.” As analysts and world leaders grapple with the fallout from the ongoing economic turmoil, experts from all continents are asking themselves what can be done to stop its ripple effects and prevent future fiascos. The novelty of the debate this time around, is that the question being asked is not whether but what changes should be made to the way banks and other financial institutions are governed. In this respect, we can be hopeful that one of the impacts of the crisis is that it is moving us towards the design and implementation of a new and more socially responsible international financial architecture, which may even change the balance of power among countries. Needless to say, the ongoing debate about the reform of financial institutions is raising politically important questions about global governance. Between the lines of this discussion we are also raising the more fundamental question of who gets represented and whose interests get served.

The evolution of the crisis is indeed revealing that although we thought to have long ago rejected Fukuyama’s false notion of an “end of history” we have in reality accepted the “end of ideologies” and celebrated the triumph of the market. As the crisis unfolds and remedial measures are put into place we should feel encouraged to seek and promote far more complex and sophisticated understandings of how societies are producing patterns of inequality and discrimination that will not be broken if the international community and its many stakeholders do not defend the needs and interests of the most vulnerable segments of our societies.

UNESCO can have a role here to play in deconstructing policy assumptions that were informing not only the dynamics of markets and businesses, but also our own thinking. We who operate with soft-power must take this opportunity to question dominant understandings and approaches that have failed the most vulnerable and possibly caused the crisis. This is necessary not because we are to be held accountable for the turmoil; certainly not. It is necessary because it is time to demonstrate that the internationally-agreed development goals that we have been promoting are not pies in the sky but serious targets that the governments of the world have agreed to aim for through dedicated international cooperation. We too must be bold enough to challenge the methods that have allowed many to posture, declare and “acknowledge with thanks”, while our mandates have been under-funded and under-utilized. The focus of the panel on “Investing out of the crisis” is most fitting in this respect: how can we mobilize the resources that are required to secure the social services which will support future growth and prosperity. There is no easy answer; it will no doubt necessitate a long-term commitment.

I beg you to forgive my audacity, but for all these above reasons I see in this crisis a window of opportunity, a chance to correct the wrongs. I believe that throughout the coming months it is therefore important that we do not lose sight of the moral values that called UNESCO into existence sixty-three years ago, after a traumatic economic depression set the backdrop for the deadliest conflict in human history. Indeed, it is in times such as these that we must be faithful

to our birthright and show our sense of vision. This means that we must learn from our past mistakes, notably that arrangements and settlements will not suffice to build lasting stability, long-term prosperity and ultimately, the "defences of peace in the minds of men".

To paraphrase our Constitution, stability exclusively based upon the political and economic arrangements of governments will not be a stability which can secure the unanimous, lasting and sincere support of the peoples of the world; stability must therefore be founded, if it is not to fail, upon the intellectual and moral solidarity of humankind. When I was in Geneva most recently visiting sister agencies, notably WHO, ILO and ITU, to discuss good practices at improving our working methods, I had the opportunity to discuss the matter with colleagues. We all agreed that it was important that we do not indulge in simplistic and false dichotomies that oppose economic stability and the well-being of the poor. Education, sciences & technology, communication, knowledge and culture are the cornerstone of human development. They are at the same time the bedrock of healthy economies and in many ways some of the soundest investments a nation can make to secure long-term peace and stability.



**OLABIYI BABALOLA JOSEPH YAÏ**

Chairman of the Executive Board of UNESCO (2007-2009) and  
Ambassador, Permanent Delegate of Benin to UNESCO.

# OLABIYI BABALOLA JOSEPH YAI'

I would first like to welcome our guests who came here from all horizons to share with us their thoughts on this important forum on "The Global Financial and Economic Crisis: What Impact on Multilateralism and UNESCO?" I want to congratulate the Director-General for this important initiative for the future of our Organization. This Forum happens in a moment when the consequences of the crisis are a chief preoccupation for all countries in the world, and for organizations and international institutions, politicians, academics, thinkers, economists and anyone concerned about world affairs. And each day brings its cohort of dozens of books and hundreds of articles on the crisis and its consequences. The crisis is therefore a shared concern and it occupies the front of the stage. Does it follow from the flow of discourses on the crisis that it is best understood?

Nothing is less certain because, in the opinion of some, it differs from previous crises by its relative illegibility and it seems that the only certainty about it is its propensity to generate uncertainty. For example, the list of people living in poverty swelled to one hundred million since the beginning of this crisis.

At this same rostrum, a few months ago, I pointed out that the worst crisis is the one that does not have its critics. This assertion remains axiomatic. But today, speaking before so many specialists from different backgrounds and disciplines, I am confident that everyone will contribute to a more and more critical and comprehensive reading of the crisis. The important thing is not to navigate visually anymore, but rather to avoid irrational, impulsive or chaotic attitudes as well as responses that would not be supported by fact-based analysis. For example, many of those who could be heard only yesterday defending liberalism and demonizing the State are, today, and without a transition, found to praise the virtues of the intervention of the State. We also know that cutting back on budgets for education, training and culture, would amount to a disastrous reaction in the long run because it will exacerbate the crisis and extend it.

If you must remain faithful to the ideals of UNESCO – because, let me remind you, our Organization is based on an assumption of ideals – we must, I think, always remain sensitive to the CRIES OF THE CRISIS. The poorest parts of our globe, who have not contributed to creating and shaping the crisis, will suffer the most, though. They are the ones who the World Bank, which cannot be suspected of bias in their favour, called the innocent victims of the crisis. Our analysis, our thoughts, our suggestions here at UNESCO should therefore strive to noticeably echo the cries of this important part of humanity. From this point of view, it is not true, as some claim, that the crisis took us by surprise or that it was not or could not be anticipated. The financial crisis, triggered by the greed of a few vultures and apprentice wizards of high finance, may have been a surprise, but the global crisis which means hunger, poverty, illiteracy, environmental degradation, energy needs, is in itself older, and is experienced by many people; it was announced or even rightly denounced by several analysts. It is true that the autism of the rich has often covered the voice and the cries of the poor. I reiterate that the mission of UNESCO

is to give a voice to the voiceless in the fields of education, culture, science, communication, especially in times of crisis.

Confronted with the challenges humanity faces today, no one will be in excess. Some, and only some, have precipitated us in the crisis but exiting the crisis will be a collective responsibility, a shared and participatory one. Regional meetings and consultations are a necessary, useful and good method, but they remain contributions. The policy of "every man for himself" or the reflexes of the hedgehog will therefore not be appropriate. We are, more than before, "in the same boat" and I am tempted to say, as the poet, that "The Road in the Brain is always open" and that "Naivety consists in waiting for a voice, a voice, I repeat, telling you: "the exit's over here"". In this global exit endeavour, it is a good thing that there is no "proxy" to be found.

I would like to conclude by evoking certain oft-silenced dimensions of the whole of this crisis; I mean the moral crisis, the ethical crisis, and even the crisis of meaning. Our meeting of today may not address this issue for lack of time. But these dimensions should not escape our attention, especially at UNESCO, if we do not want to give reason and substance to the opinion of those who believe that "mankind is deteriorating."

And of course, ladies and gentlemen, what I mentioned here is the illustration of a CRISIS OF GLOBAL GOVERNANCE. There is no better forum than UNESCO to initiate a reflection on the theme of global governance. In my capacity as Chairman of the Executive Council, and in accordance with this Forum organized by the Director-General, for which I once again thank him, I will take the initiative to consider a dialogue on global governance, timely positioning our Organization in its function of intellectual and anticipation watch. I wish you a full success in your work and thank you.



### **AART DE GEUS**

Aart de Geus (Netherlands) is Deputy Secretary-General of the Organisation for Economic Co-operation and Development (OECD). Former Minister of Social Affairs and Employment of the Netherlands.

# AART DE GEUS

## 1. THE GRAVEST CRISIS IN OUR LIVES

It is a great pleasure to participate in this UNESCO Future Forum, to share our perspectives on the global financial and economic crisis and its implications for multilateralism. This crisis is an unprecedented challenge, but it is also a big opportunity to revise our concepts, our systems and frameworks. It is a great opportunity to build a stronger, cleaner and fairer global economy. We will need new ideas, new innovative approaches; because the conventional way of thinking is not working anymore. And I believe there is no better place to build this new rationale than in a multilateral forum, where we learn to see the world from different cultural perspectives.

Let me start by confirming the gravity of this crisis. It might sound commonplace, but this is indeed the gravest crisis of our lives. The financial crisis has turned into a global economic paralysis. The world economy is heading for a zero growth in 2009. Global industrial production is falling steadily. World trade volumes are expected to contract for the first time since 1982. Foreign direct investment (FDI) inflows will also contract, after shrinking by 21% in 2008.<sup>1</sup> Development aid is also falling, while remittances from migrants are also running dry. And this meltdown is starting to hurt families through rising unemployment. ILO projected recently that the crisis could swell the number of unemployed in the world in 2009 by a range of 18 million to 30 million workers, and by more than 50 million if the situation continues to deteriorate; while the number of working poor living on less than a dollar a day could rise by some 40 million – and those at 2 dollars a day by more than 100 million.<sup>2</sup>

These are not just numbers. These are broken dreams, social disappointment, and desperation. All these financial and economic contractions have a dire human dimension: increasing poverty; growing inequalities. And this is not only happening in developing countries. As our recent publication "Growing Unequal" shows, inequalities are a growing concern in (and between) OECD countries. In some of them, these inequalities are creating tensions that can breed protectionist policies, economic nationalism or xenophobia.

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1 According to estimations by UNCTAD.

2 ILO, "ILO says global financial crisis to increase unemployment by 20 million", Press Release, ILO/08/45. See: [http://www.ilo.org/global/About\\_the\\_ILO/Media\\_and\\_public\\_information/Press\\_releases/lang--en/WCMS\\_099529/index.htm](http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_099529/index.htm).

## 2. WHAT TO DO?

First and foremost, we must restore confidence in the financial markets. Removing the toxic assets from bank's balance sheets is an essential step that should precede recapitalisation. We have remarked the importance of this step to our member countries. We also need urgently to implement big and smart fiscal packages to get demand going again. We will then need to rewrite a new set of rules for the global financial system and the global economy. All these actions will have to be internationally concerted and coordinated; because this, my dear friends, is the most global crisis that we have ever lived. And a global crisis demands global solutions. Let me say a few words on this togetherness, multilateralism and partnership.

## 3. A GLOBAL CRISIS: UNDERSTANDING "TOGETHERNESS"

The times when a single country could solve its problems in isolation are gone for good. As Joseph Stiglitz remarked in a recent article, now there are simply too many interdependencies for any country to go its own way. I remember when the global tide of the crisis started rising at worrying levels, around September 2008, some people were still talking about "decoupling", trying to explain why some emerging economies would not be seriously affected. At OECD we have argued since the beginning that in a highly interdependent world there are no decouplings.

This morning the *Financial Times* reports that net capital flows to emerging markets will drop to just 165 billion dollars this year, down from 929 billion as recently as 2007.

Today there is not one single country that is not suffering from this crisis, no single region or city that is immune. From Detroit to Delhi, from Liverpool to Lusaka, from São Paulo to St Petersburg the crisis is the defining issue of the moment. We might live times of unprecedented cultural plurality, but we are all "sailing in the same boat". Some of you might remember how some years ago, in fact not so long ago, practically all regions and countries in the world were growing at the same time; today we are all decelerating together. We need to understand this "togetherness". As a Latin American poet recently wrote:

We are many and one / in dire synchronicity  
The time has come to know it  
Only together we fall  
Only together we shall rise again  
All is connected to all  
We are many and one  
If we forget this logic we act against ourselves.

#### 4. INCLUSIVE MULTILATERALISM: THE WAY FORWARD

This crisis has exposed many uncertainties, but at least one thing is certain: the solution and the post-crisis world can only be built through inclusive multilateral co-operation. The age of blunt interdependence is here. The only way forward is multilateralism. In the past months, we have seen not only the extent of our interdependencies, but also the deficiencies of our global governance. A highly integrated global economy needs effective mechanisms of international regulation. In a recent paper, Henry Kissinger exposed the risks of having a globalised world economy without powerful international institutions: a gap has opened between the economic and the political organisation of the world, he said. It is time to bridge that gap.

One of the reasons why markets have taken so long to stabilise and regain confidence is the lack of tuning and coordination between national responses around the world; but also, let's admit it, because of the faulty coordination in the assessments and recommendations of international organisations. The only way we can reconfigure the global economy is through enhanced international co-operation. And for that we need stronger, more inclusive and better coordinated international organisations. As we have seen recently, through the emergence of different innovative schemes like the G8+, the Major Economies Meeting (MEM), the OECD's Heiligendamm Process or the G-20, there is a growing realisation that we cannot build a stable global economy without including developing countries in the decision-making process.

At OECD we are strongly pursuing this new inclusive multilateralism. We are currently involved in a significant enlargement process that will bring five new countries (Chile, Estonia, Israel, Russia and Slovenia) into our Organisation. We are also strengthening our co-operation with other five crucial emerging economies (Brazil, China, India, Indonesia and South Africa) through our Enhanced Engagement strategy with a view to eventual membership. And we are fostering a closer collaboration with nearly 200 other countries through a wide gamut of innovative co-operation instruments, like our initiative on Governance and Investment in the Middle East and North Africa or the Emerging Markets Network (EMNet) meetings to share experiences between multinational corporations from OECD and emerging economies.

Based on this growing plurality, we recently presented the *OECD Strategic Response to the Financial and Economic Crisis* to help governments and other international organisations redesign the international financial system and revive economic growth. At the same time, we are fostering a much stronger and more dynamic co-operation among the main economic international organisations. A few weeks ago, our Secretary General, Angel Gurría, gathered in Berlin with Chancellor Angela Merkel and the heads of the WB, the IMF, the WTO and the ILO, to establish the bases of a reinforced collaboration between these organisations, to build a stronger, cleaner and fairer global economy. Partly as a result of this meeting, we are now working with these international organisations to produce a package of global regulations and standards to advance towards a first global normative and a more reliable regulatory framework for a better global economy. But to build a better global economy, to produce a more balanced and inclusive world, we will need much more than a new financial and economic regulatory

framework. We will also need a major cultural change; both in our societies and in our leaders. This is why the role of UNESCO is becoming more and more important.

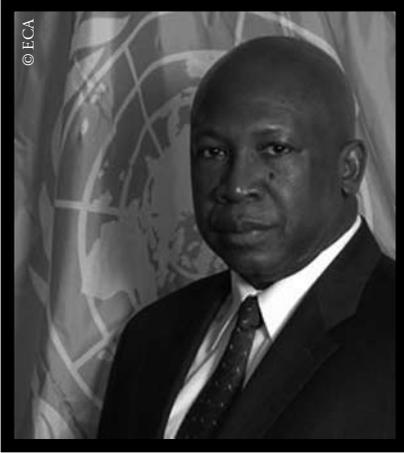
## 5. THE ROLE OF UNESCO: A NATURAL PARTNER

We are living foundational times. The intellectual edifice that sustained this economic model has collapsed, in the words of Mr. Alan Greenspan himself. We need a new map for human progress. And this time the guiding principles will have to come from a broader and more plural social base. This time the new paradigms, the new rationale, will have to be a truly global contribution. The new model can no longer be designed by a small group of nations, because it will not sustain the new project. The reconfiguration of the global financial and economic system and the operational part of the equation is crucial. But this time this reconfiguration will have to be done in the lines of important core values like inclusiveness, equity, sustainability, diversity and tolerance. We need to build a new and inclusive global consensus. But we also have to generate a new leadership through a new "creative diplomacy", because the leaders of the previous model and the top financial gurus, the CEO's of big corporations are not in a strong position to provide it anymore.

To create this new global consensus and to produce such renewed moral leadership, we will need the partnership of international organisations like UNESCO. Very few international organisations are in a better position than UNESCO to help us seize the cultural diversity of this world to fabricate a new reality. Because, as the Spanish philosopher Ortega y Gasset used to say, "reality is the sum of all perspectives". OECD and UNESCO are natural partners. We have to work together to build the new global economy over a more solid structure of fundamentals and values, guided by objectives of sustainable development. And when we say "together" we should think big: I mean UNESCO, OECD and other international organisations and emerging schemes like the G-20, along with national governments, parliamentarians, corporations, banks, trade unions, NGOs and academics.

We need to forge a new global alliance. This is the role of OECD. We don't lend money. We are not a financial institution. But we provide an effective and increasingly global forum to share government experiences, to analyse them and to provide policy advice. We are a hub where countries meet to produce international standards, soft-law, principles and guidelines, like the ones we have for corporate governance, like our Guidelines for Multinational Enterprises, our Anti-Bribery Convention or our OECD Model Tax Convention. During the past 50 years we have produced an arsenal of these soft-laws and international standards to make markets work better. We have been promoting free trade and investment practices, deregulation and liberalisation, but we have also been the source of important international regulation and frameworks. We believe a healthy balance between markets and governments is not only possible but also fundamental. At OECD we are convinced, as a Mexican economist recently put it, that governments should act, not because markets don't work, they should act so that markets do work.

The financial crisis has confronted us with the world we have created. Like a big mirror it has revealed the fragility of a global financial system; the risks of excessive deregulation with bad supervision; the vulnerability of a global economy based on the understanding that ever increasing production and consumption was the key to success. It is time to change. It is time to re-write the rules of the game. It is time to create a more reliable and harmonious globalisation. It is time for a greener type of economic growth. This will not only require better international organisations and better global governance; this will also demand a change of mind, a change of culture. The new economic fundamentals have to be based on values which UNESCO has been promoting for decades. The big lesson of this crisis is that we are all one. And the realisation of this interdependence is an opportunity to revise our theories, our policies, our daily behaviour and its relation with the economy, with society, with the environment. At OECD we are making a big effort to adapt to the new global economic reality. But we must act together, for now we know this is not a "solo" challenge, and surely we all have an important contribution to make.



**ABDOULIE JANNEH**

Abdoulie Janneh (Gambia) is United Nations Under-Secretary-General and Executive Secretary of Economic Commission for Africa (ECA).

# ABDOULIE JANNEH

It is a great pleasure and honour for me to be here with you to participate in the UNESCO Future Forum on "The Global Financial and Economic Crisis: What Impact on Multilateralism and UNESCO?" This crisis which is still evolving poses a challenge of unprecedented magnitude that will spare no part of the world. I therefore salute the Director-General of UNESCO, Mr. Koichi'ro Matsuura, for organizing this timely forum and for inviting me to deliver an address on the implications for Africa and the way forward. This laudable initiative by the Director General is congruous with the on going efforts of both the United Nations Secretary General Mr. Ban Ki Moon and the current president of the UN General Assembly to increase global and inclusive multilateral dialogue to find solutions to this crisis.

To begin my short address, I want to briefly discuss the causes of the crisis and its impact on Africa and outline some key lessons learnt so far. Then, I will examine policy responses at the national and international levels and conclude with the role of the Economic Commission for Africa (ECA) working in collaboration with our partners in assisting African countries to mitigate the impact of the crisis on their economies.

## WHAT TRIGGERED THE CURRENT CRISIS?

The global economic and financial crisis will go down in history as the worst crisis since the 1930s. Although it was triggered by events in the US housing market, it was caused by a constellation of three factors. First, expansionary monetary policy in the major advanced countries, since 2001 and the resulting low interest rates led to an overinvestment in the housing market and inflated asset prices. The collapse of the US housing market and the associated decline in housing prices precipitated the crisis. Second, financial innovation and the improper pricing of risk in developed countries encouraged financial institutions to take on excessive risks which increased their exposure to the housing market and made them extremely vulnerable. Third, the accumulation of unsustainable current account imbalances in developed economies increased the vulnerability of these countries to shocks. Indeed, excessive savings in emerging markets funded excessive consumption in rich countries resulting in an increase in global imbalances. Because these imbalances were unsustainable they increased the risk of a disorderly correction thereby threatening the stability of the global financial system with negative consequences for global output.

## CONSEQUENCES FOR AFRICA

Even though the current crisis originated in advanced countries, its impact is already being felt in all developing countries and Africa in particular. For example, wealth losses have been observed in several countries since the onset of the crisis. As at 13th February 2009, the

Johannesburg Stock Exchange (JSE) lost 37.59% of its value on a year-on-year basis and the Nairobi Stock Exchange 20-Share Index lost 18% of its value in one month (from January 20th to February 19th, 2009).

There has also been a tightening of credit in domestic financial markets and an increase in risk premiums facing African countries in global capital markets. Commodity prices, which many African countries depend on for foreign exchange, have also taken a big hit. For instance, the average annual spot prices for crude oil and groundnut oil fell by 55% and 37%, respectively, from 2008 to 2009. Other sources of development finance such as foreign direct investment, tourism, workers remittances and exports are being threatened since the onset of the crisis. The drying up of these sources of finance will considerably curtail the ability of African countries to boost growth and achieve the Millennium Development Goals (MDGs). The potential impact of these shortfalls on fiscal revenue will significantly reduce African countries' capacity to fund their recurrent cost budgets relating to essential services and programmes. Preliminary estimates indicate that the crisis will reduce growth in Africa in 2009 by between 1 to 4 percentage points depending on the assumptions made.

There is growing concern that pressures to recapitalize the banking sector and provide support for ailing industries may, but we hope not, force developed countries to cut down on ODA flows to Africa. Given the importance of ODA in financing social infrastructure, this will be a major setback for the region. Since African countries have significantly benefited from aid-funded social protection programmes, reduction in aid could affect the poor considerably and thus increase their vulnerability. According to the World Bank and IMF, up to 100 million people, the majority in Africa, are at risk of falling into poverty.

## LESSONS LEARNT FROM THE CRISIS?

Before turning to the policy responses, permit me to stress some key lessons from the current crisis that are important to bear in mind as we seek solutions to the crisis. One of the lessons is the importance of the role of the state in ensuring a smooth functioning of the market economy. While the market mechanism remains a vital framework for economic activities, governments must provide appropriate oversight and also stand ready to intervene in areas, such as financial markets, where there is evidence of market failure. In this regard, there is the need for pragmatism in the design and implementation of economic policies because the key challenges facing most economies today require a combination of market and government interventions.

The current crisis reminds us that global problems require comprehensive, coordinated and timely responses. Because of the growing interdependence of economies domestic problems are no longer confined to national borders and so a multilateral approach must be increasingly adopted to solve these problems. It is comforting to note that leaders of the advanced countries are beginning to take this fact seriously and are reaching out to more developing countries to find

a solution to the current crisis. In this regard, I welcome the decision to invite more developing countries including a representative delegation from Africa to the next G-20 Summit in London.

Another important lesson from the current crisis is that developed countries are not immune to financial crises and disruptions arising from imperfections of the market economy. In the past, global surveillance activities focused heavily on developing country financial systems based on the premise that developed countries had strong financial systems that are capable of withstanding shocks. The current crisis has debunked this myth and refocused attention on the need for better supervision and regulation of domestic as well as global financial systems. It has also led to calls for a new international financial architecture, an issue to which I will return later.

## WHAT SHOULD BE DONE?

The crisis facing us today is unprecedented in terms of its magnitude and potential impact. It therefore requires bold and swift responses to contain and reduce its negative effects on African economies. As African leaders have emphasized in various fora, although the crisis was caused by events beyond their shores and control, concerted actions are needed at the national and international levels in order to find an effective solution.

Let me begin with national actions that are needed to minimize the negative effects of the crisis on the African region. First, there is the need to strengthen economic policy management as well as deepen reforms. This is not only crucial for minimizing the effects of the financial crisis on African economies, but also for creating a sound basis for sustainable growth. I am happy to report that, in the Communiqué that was issued in Tunis at the end of the African Union/AFDB/UNECA supported High-Level Forum on the Financial Crisis, African Ministers and Governors of Central Banks undertook to stay the course and continue deepening economic reforms so as to provide a strong and sustained basis for growth. This includes, inter alia, more effective mobilization of domestic revenues and deepening of African capital markets for a more robust mobilization of local savings and financial integration. Evidence abounds from other regions that economic progress receives a significant boost from having a stronger domestic resource base rather than relying mainly on external support. The Economic Commission for Africa and the African Union Commission plan to put this item on the agenda as the key theme of the next AU/ECA Conference of African Ministers of Finance and Planning to be held in Egypt early June this year.

Second, the financial crisis underscores the importance of developing a sound regulatory and supervisory framework for the financial sector. In this regard, African countries need to undertake comprehensive review of their regulatory and supervisory regimes with the view of identifying areas that require further strengthening. There is also a need to ensure that all sectors of the financial industry are subjected to proper regulation and oversight. Improving structures of governance and accountability is also crucially important.

Third, since the poor are likely to bear disproportionately the brunt of the financial crisis, appropriate forms of social protection are required to cushion the effect of the crisis on vulnerable segments of our society particularly women and children. This will require increased expenditure on education, health and infrastructure, and therefore increased levels of short-term financing to bridge the resulting financial gaps in national budgets.

Although domestic actions are critical to minimizing the effects of the crisis on Africa, complementary actions are also needed at the international level given the interconnected nature of the global economy. One area that requires urgent action at the international level is the reform of the international financial architecture. African countries do not have adequate representation in decision-making organs of international institutions set up to regulate the functioning of the international financial system. There is the need for Africa to have more voice in these institutions. This is particularly important given that recent crises have shown that African countries are heavily affected by actions and events emanating from activities of developed countries.

Another issue that needs to be addressed as part of the reform of the international financial architecture is how to improve crisis prevention. In the past international financial institutions tend to put more emphasis on policy reforms at the expense of crisis prevention and performance outcomes. It is important that more tools be developed to increase multilateral surveillance of policies in areas such as exchange rate policies, banking systems and capital account movements. There is also a need to improve our understanding of the link between financial systems and the real economy.

Official development assistance will also be needed to enable African countries cushion the effects of the crisis on their economies. This is important given the limited fiscal space that most countries in the region currently have as a result of the crisis. In this regard, it is important that our developed partners fulfil their commitment to double aid flows to Africa by 2010. This point was amongst the key recommendations made in the joint OECD Secretariat and UNECA report of the 2009 Mutual Review of Development Effectiveness, presented to NEPAD's Heads of States on 31 January 2009 in Addis Ababa. The report's main objectives are to gauge how far commitments made by African and its development partners have delivered, whether they have produced the desired results and what are now the key future policy priorities.

In seeking solutions to the crisis, we must resist the temptation to resort to trade protectionism. In this regard, there is urgent need to conclude the Doha Development Round with a significant focus on the development dimension. This will boost global trade and provide impetus for recovery.

## CONTRIBUTION AND ROLE OF ECA

Most of the discussions on policy responses to the current global financial crisis have thus far focused on national and international actions. The regional and sub-regional dimensions are completely missing. Yet they are of immense importance, especially in light of the limited capacity of many African countries. Against this background, the ECA, the African Union Commission (AUC) and the African Development Bank (AfDB) have taken several actions to assist African countries in dealing with the effects of the crisis. We jointly prepared the supporting documentation for the high level forum held in Tunis on 12 November 2008 I earlier on referred to. The Communiqué issued at the end of the meeting outlines measures to be taken at the national, regional, and international levels to mitigate the effect of the crisis on African economies. We will continue this joint research and analytical work to underpin Africa's participation in the forthcoming G-20 Summit.

ECA will continue to provide technical assistance to enable African Countries to build capacity for policy design and implementation including deepening of current reforms. We will strengthen our advisory role by helping African countries improve capacity to harness potential natural resource revenue, and prudently using such resources for sustainable growth and development. ECA will also help African countries reduce their vulnerability to external shocks by providing support in the development of productive capacities. This will enable them to diversify their exports and production, thus increasing their resilience to external shocks.

To conclude, I would like to stress that the current crisis threatens to erode the recent gains made by African countries on the economic and social fronts. The international community should therefore scale-up assistance to African countries so that they can sustain these gains. If we fail to rise up to the challenge facing Africa at this critical moment, we will be missing an opportunity to make the 21st century an African century.



## **MOHAN MUNASINGHE**

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# MOHAN MUNASINGHE

## CONTRASTING THE BARBARIZATION SCENARIO AND THE LONG TERM SUSTAINABLE DEVELOPMENT SCENARIO

In this presentation, I will speak of an integrated response to the global financial crisis and the multiple challenges of sustainable development and climate change. I have much ground to cover. We face multiple global issues which have so far been handled piecemeal. We have poverty, inequity, scarce resources and conflict over those, like energy and water. We have environmental damage including climate change; the problems of globalization, misgovernance, etc. If you project future scenarios, one of the least desirable one is the so-called barbarization scenario with unrestrained market forces that can increase the risk of conflict, erode the ethical and moral underpinnings of civilization. Climate change, poverty, inequity, environmental degradation, social polarization and terrorism can lead to a breakdown and the construction of a fortress world, where the rich live in protected enclaves and the poor live outside in chaotic conditions.

When it comes to facing those problems, how well do we establish our priorities? Let us look at the economic crisis. It has been caused by a bubble, where the financial markets have, out of greed, ignored the productive economic basis, which has led to an asset crisis and a collapse. But this is not all. We must consider the problem of poverty, which is also a bubble that has persisted over many decades and through which the millions of poor have been removed from the productive economic basis. They have no access to financial markets and when this bubble bursts we are going to be in even more serious trouble. We come to the third aspect: the way that we waste our natural resources and that the productive economic basis leads to environmental damage, including climate change. This is also a bubble, which is called an environmental externality. We are enjoying the benefits today, but we will pay the price tomorrow. The great fear is that those three bubbles interact very destructively as we go into the future unless we deal with them at the same time today.

Let us see how human values and choices influence our decisions. The asset bubble is about 250 trillion US dollars worth and world GDP is only one fifth of that, 55 trillion US dollars. The governments have, in short order, produced 4 trillion US dollars to bail out banks and financial companies. If you look at the amount of money that is spent on poverty, it is a measly 100 billion each year and if you look at the issues of climate change where we are spending just a few billion every year, you realize that these are priorities at the present time.

The other problem is that uncoordinated responses will complicate matters. For example, corn ethanol has been increasing and as a result, a lot of corn has been diverted from food use to substitute for oil. Those human actions are supposed to address the so-called oil crisis, but at the same time, in the last year or two, we have had a long drought which led to a grain shortage.

The diversion of corn for ethanol conversion has greatly exacerbated the food shortage. If we want to avoid solving the oil problem at the expense of the food problem, coordinated action is important. We need better use of the economic stimulus package to simultaneously solve the longer-term problems of poverty, resources and climate change; we need to support long-term investments (e.g., infrastructures, renewable energies, forestry, and agriculture), in social development (e.g., health, education, sustainable livelihoods, safety nets), rather than spending all that money on subsidies. We need to boost poverty reduction and job creation efforts also to improve governance, manage markets and reform prices. We need also to use the momentum for change, to make Development more sustainable, with balanced consideration of economic, social and environmental elements sustainable development, and we need to transcend conventional boundaries of analysis using innovative, holistic, integrative approaches. We need to transform the global governance structure, to make the UN System more effective, more responsive, to make the IMF and the World Bank more inclusive, giving more weight to the G-20, etc. These are all important step to be taken.

What is my vision of a long term sustainable development scenario? If you look at the main issues today at a very superficial level, we see the economic crisis, poverty, exclusion, resource conflicts, hunger, climate change, etc. This is a high risk world, which is basically characterized by the Washington consensus and market forces. It is a very reactive world where governments are inadequately dealing with these problems – in a piecemeal fashion. We need to take a closer look at the immediate drivers, at the level below the indicators (e.g., consumption patterns, population, technology and governance) and go to a transition scenario where we look to making development more sustainable, with a systematic reform of market forces. We need to be much more proactive, to take an integrated approach so that business and civil society work with governments to solve these problems. If we can make the transition today, then we can have hope for the long-term, where twenty-five or thirty years from now, in the world of our children and grandchildren, we can then look at the fundamental underlying pressures, e.g., basic needs, social power structure, values, perceptions and choices, the knowledge base. That will lead to a sustainable development transition, which will have grassroots citizen's movements. It will be driven by the concepts of social justice and equity and it will have innovative leadership and policies. Government will work with civil society and business to bring this brave new world about.

Let us look very briefly at the power of education. Education has a wide range of benefits. It is not only a human right but also an instrument for economic growth and social cohesion. But we need to manage the process carefully because we also need to strengthen infrastructures. It is not only the amount of education but the quality that matters. When one looks at public expenditure in education, one can see that rich countries spend very much more than the poor countries. Likewise, school life expectation, the amount of years spent in school, is low for poor countries and it increases progressively as countries become richer: the path to growth is through better education.

## CLIMATE CHANGE IN PROSPECT

Climate change is certainly linked to sustainable development. The main driver is carbon dioxide which has increased rapidly for the past two hundred years, since the industrial revolution. Now the result is an increase in mean temperatures of 0.7 Celsius degrees in a hundred years, 16 centimetres of sea-level rise and melting of ice, etc. On this basis, we can predict the evolution of climate change. We expect by 2100 about 3 degrees rise in average global temperature and a sea level rise of about 40 centimetres. It may be a little bit more, a little bit less. Dry areas will get dryer and wet areas will get wetter. Economic damage due to extreme weather events, storms and hurricanes, will increase rapidly as it has been doing in the last few decades. There are also potential large scale impacts, which will happen over the next hundred years or more if the ice sheet melts and the sea-level goes up by several metres.

In essence, the first conclusion is that climate change is going to affect the poorest countries and the poorest people the most – the ones who have the least to do with the problem. The second point is that making development more sustainable by integrating climate change into development policy is the best way of addressing the problems of climate change. The challenge is that sustainable development is already burdened with problems of poverty. Billions of people are poor and live without adequate food, water or energy. Climate change will make things much worse for all of them.

We have a number of major international agreements, starting with the Rio Summit and the MDGs, which include poverty and hunger eradication, achieving universal primary education, etc. Those are commendable targets but they are unlikely to be met with climate change and all those other complications. What are the poor who live in developing countries on less than 1 US dollar a day going to do? The world income distribution, the so-called champagne glass, shows that the richest 20%, including myself, consume sixty times more than the poorest 20%. We also have the UN Framework Convention on Climate Change (UNFCCC), which promises to stabilize greenhouse gas (GHG) concentrations at less than dangerous levels.

We have here a beautiful common but differentiated responsibility. The common responsibility is that all of us 6 billion people on the planet must work together to solve this problem; but we also have the burden of the poor. The poorest countries must focus on adaptation and reducing the vulnerability of their poorest populations to climate change impacts. Whereas the rich countries, which are emitting more on a per capita basis, have to focus on mitigation, that is reduction of emissions as they go into the future. This is recognized in the Climate Convention and the Kyoto Protocol. We must recognize that climate change will affect future development prospects and at the same time, the path of future development will affect change.

Let us see how we can harmonise climate change and development policies so that we can have a harmonious process. For example, growing forests and energy savings are methods of making development more sustainable: they improve the development process while addressing climate change.

Looking at mitigation, the Kyoto Protocol of 1997 was a very modest target: reduce emissions 5% relative to 1990. But it has not been met and, in fact, GHG emissions have gone up 70% in the last thirty years. The European Union (EU) has specified a danger limit of 2 degrees, which implies that we have to reduce carbon emissions by 2020 at the latest. We can do this with improvements in energy and land use in all sectors and in all regions of the world. So making development more sustainable, changing lifestyle, culture and behaviour patterns, and adopting sustainable production and consumption patterns can make a major contribution to climate change mitigation efforts. Many policy elements can bring this about while protecting the most vulnerable, the poor, the children and the elderly, the vulnerable regions of the world, Small Island Developing States (SIDS), the Arctic, the Asian mega-deltas, and many sectors and systems, like the water supply systems or the agricultural systems of the world. We must also protect the ecosystems, which are very sensitive to temperature rise.

How does this play out regarding the forthcoming Copenhagen Summit which will take place next December (2009) and set the potential post-Kyoto framework? If we correlate per capita GHG emissions (climate risk) and per capita income (development level), we see that the poor countries of the world have low emissions and low income, rich countries have high emissions and high income. They are over what can be called the safe limit. Many countries stand in the middle. The first part of any agreement is that the rich countries accept to reduce their emissions. But notice that in the process of reducing their emissions they do not have to give up the good life. They can continue to progress towards higher income with existing technologies. At the same time, we must think of the poor and strengthen the adaptation fund which has been created as a safety net and will help address the vulnerability of the poorest countries. The second step is the so-called tunnel: middle-income countries will grow, but they will grow maintaining a low level of GHG emissions, not following the rapid rise characteristic of the rich countries. This can be done if new approaches to development are adopted by China and others, which will allow them to pursue the good life without increasing the risks to the global atmosphere. They need the technology cooperation and support from the rich countries so that they can do their mitigation effort properly.

All those policies have to be broke down to the national level by integrating them with national sustainable development policies. Climate change, which is perceived as a very small blip on the radar of the decision makers must be related to the main sectors of development like agriculture, energy, industry, transport, education, poverty reduction effort, etc. Once the relevance of climate change to these development sectors is demonstrated, decision makers will start making the right policies that address both climate change and development. We have many tools, like integrated models that we have developed in Sri Lanka for example. We have a concept of green national income accounts which allow us to incorporate environmental and social considerations into GDP.

Let me end by saying that we can get there, we can address complex multiple sustainable development issues if we can think of sustainable development as a mountain the peak of which is covered by clouds and cannot be seen: activists decide to climb uphill even if they cannot see

the peak, believing that we will get there eventually if we can reduce energy waste, discourage deforestation, instead of sitting at the foot of the mountain and debate without acting. Other actions include eating less meat, practicing energy conservation, plant trees and so on. At the corporate level, we have corporate social responsibility. At the national level, you can certainly integrate all of these concepts into a sustainable development path. We need to look at poverty and climate change through the economic, social and environmental dimensions of development and their interactions. We need to transcend the boundaries of disciplines and stakeholders, in particular business and civil society together to work with governments. We have to build social capital through education and culture, at the individual level, at the community level – without social capital, we cannot bring sustainable production and sustainable consumption together and thereby, by replicating this model, make society much more sustainable. We have many practical tools and best practices we can apply.

The economic crisis, poverty, resource scarcity, climate change, etc., are serious threats but I have an optimistic framework. We know enough to take the first steps to make development more sustainable, to transform the risky business-as-usual scenario into a more secure future. We need to address multiple crises in an integrated way and we need to have business and civil society working with governments. Education and cultural change will play a very key role. Therefore UNESCO has an important part to play in developing the new model of sustainable development for the 21st Century. Let me end with a quote from an ancient Pali blessing from Sri Lanka:

“May the rains come in time,” which is the environment.

“May the harvests be bountiful,” which is the economy.

“May the people be happy and contented, May the king be righteous,” which is society.

Even in ancient times, favourable environment, economic prosperity, social stability, and good governance were well recognised as key factors for making development more sustainable. We are just reinventing the wheel.

# FIRST SESSION

**THE IMPACT OF THE GLOBAL  
FINANCIAL AND ECONOMIC CRISIS  
ON DEVELOPING COUNTRIES,  
IN PARTICULAR IN AFRICA,  
AND THE PROSPECTS FOR  
ATTAINING THE INTERNATIONALLY  
AGREED DEVELOPMENT GOALS,  
INCLUDING THE MDGS**



## **MICHEL DEBRAT**

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# MICHEL DEBRAT

In the talk about the crisis we say «the» thinking of the financial crisis. Nine months ago, however, we also spoke of the crisis but it was the food crisis that we talked about. There is also the climate crisis. There is no multiplication of crises, there is a phenomenon connected to globalization and the question does not pertain to the development of the poor countries but to the development of the world itself. Such a question is valid for the developed countries as well. Indeed, it has become common to speak of global interdependencies, I will not repeat these issues since they were largely addressed, except to say that these interdependencies between businesses, between states, between individuals, and international organizations are not and are no longer described by the State system, nor indeed by certain operating rules of the multilateral system which relies a lot on States and their role.

I will only take two or three examples. It is clear that, wherever carbon dioxide particles are emitted, they have an effect on the global climate system. It has become obvious that a climate problem in Australia or in Ukraine or investment decisions in favour of biofuels interact on the world market and stocks. It has become obvious that we have entered an era when the price and volume of production of fossil energy affect each other. It is not the end of fossil fuels, there is no deadline in waiting. However what is certain is the price paid by the world economy will heavily depend on fossil energy resource and their extraction costs. Finally, to get to what is today's topic, that is to say the financial crisis, it is clear that even banks that were not based on securitization schemes eventually feel the impact of a crisis which was born on securitized markets.

We are only beginning to see the consequences because of the relays leading to what is called the second round crisis, for all countries, and Africa in particular since I was asked to cover especially the consequences for Africa. This happens because global demand has begun to decline measurably even if by less than 10%; this happens because exports begin to fall, or because commodity prices diminish, which in turn has an impact, in terms of balance of payments, on the income of the countries that substantially depend on export revenues. Now, given the elasticity of the phenomena we are talking about, this is going to have consequences beyond a mere proportionality with the changes. This is not a transmission belt that we are dealing with: the phenomenon at stake will exaggerate the impact of the crisis on poor countries. The other aspect is that, at this very moment, the cost of money has risen to finance investments, and that cash flows are begin to decline seriously, including in Africa and other systems which were believed to be remote.

I am going to elaborate more specifically on the impact of the crisis on Africa, to say clearly that the crisis will, contrary to what many believe, affect Africa much more than marginally. First, there are reasons unique to Africa that should be considered. The first is that we must never cease to remember that Africa is experiencing significant demographic changes and that, as a background to everything we say, we must always bear in mind that in fifty years, Africa will

rise from 750 million to 1.7 billion people. We must never forget the urbanization movement of the continent which will bring at least 600 million Africans live in cities by 2025, whereas there were 200 million in 2000. 25 years to build the envisaged urban infrastructures is a considerable challenge and it interacts naturally both with financing and the economy and with climate of course.

As for the third element, climate, Africa plays a specific role also simply because many parts of Africa are, due to their rural economy, heavily dependent on climate volatility. But this volatility will increase on other continents, I think of Asia, where it is rather the impact on coastal areas that is to be feared considering the densities of the large deltas. In Africa this phenomenon will occur, let us not forget it, but it will mainly affect the volatility of the entire rural economies. And so the question of food will really have to be addressed.

The same is true for energy. Africa is a continent that has an energy potential, either fossil or renewable, which is considerable but is deeply hindered by a lack of investment, including for fossil fuels. I will only give a figure: 90% of Africa's hydropower is not used. 90%! Africa is particularly concerned, partly because it will feed, for reasons I just mentioned, the phenomenon but also because it is one main lung of the planet, the second one, and, as a consequence, the whole climate issue directly affects the continent.

Should we say the crisis offers no opportunity? To begin with, I would first say that there will be opportunities if we avoid erroneous paths. First, it would be wrong to keep not completing the Doha negotiations with a satisfying development component, which is crucial. Before discussing aid, we must first pay for services at a price that allows people to live and grow. Secondly, we have to reflect on how we treat the price volatility of agricultural commodities and energy prices. Will we – or not – renounce addressing those issues through financial mechanisms? It is a human choice, as was mentioned in a previous intervention. Finally, we should remember that, when it comes to economic matters, some things must be avoided. Are we going to launch narrow recovery plans, which of course we are always a little forced to do in the short term, or will we seriously tackle the issue, that is the long-term investments?

It is precisely at this point that we must remind ourselves that the crisis is also an opportunity. I will take a first example in the rural world. If you observe the trends, it is likely that agricultural prices will increase. Obviously this is a problem when we think of how to feed cities, but it is primarily an extraordinary opportunity for the rural world. It is unthinkable to not base the development of Africa on a pricing policy that allows the countryside to make leaps in productivity and identify markets within the region. From that perspective, a policy is needed which is all the more urgent that for thirty years we have refrained from making investments to foster productivity in African agriculture.

The same is true for energy. There are two major sources through which Africa can contribute to the world energy-wise. I mentioned hydropower earlier: if you take the same number as before and reverse it so to speak, there is a second option to consider, biomass. Here

also, we are faced with a long-term policy choice: envisaging to base the energy supply in rural Africa on biomass, not on agro-fuels, which is another topic.

There are also choices to be made in urban planning, admitting that Africa is urbanising means that we have a huge responsibility before us. In what way? Are we going to continue to build inefficient cities or do we build different ones? It is a question of designing cities, it is a question of urban structures, it is a question of construction materials.

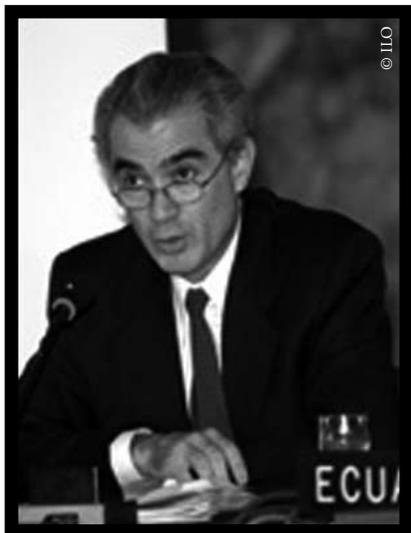
In citing these examples, we are not in a scientific void; all these issues have been studied before. It is a matter of public policy not to a scientific enigma. Finally, I will end here, there is something to do regarding the increase of credit in Africa. Besides, it should be noted, we have not yet recorded – and I hope it will remain so – any reduction of credit supply in Africa.

In such circumstances, what is the role of multilateral organizations, since it is the subject of our conference? I would say that, in the first place, there is a responsibility to improve the system of information on global public goods because it is imperative to place every decision-maker and country in front of their responsibilities by being able to display measurements of how the decisions we take for ourselves contribute to the major global indicators. This is the question of aggregatable indicators; it is obviously the role of the UN system to promote these issues.

The second responsibility is to coordinate decisions on energy, agriculture and cities, as suggested earlier. Today, it is completely impossible to do that outside of a multilateral framework, whether it is the major specialized conferences, or the G-20 which was alluded to earlier; this is self-evident – even if the G-20 remains much too small for the subject at hand. But it is still something better than the G8. It is obviously at this level that global frameworks for public policies must be elaborated so that everyone is placed in front of their responsibilities.

The third responsibility is the need to help ensure that the funding of investments is countercyclical. This is actually the responsibility of the Bretton Woods institutions and donors in general. It is a mission that we have set to ourselves at the AFD: offering a range of countercyclical funding, that is to say, increasing funding in the current situation and especially in favour of businesses. This question must be addressed in relation to the mixed results of the Millennium Goals. A correlation is striking. Transfers are not the driving factor. The biggest factor is that the Millennium goals of the millennium have made progress where there was economic growth. We are undoubtedly sent back to the basic question, and it was clearly highlighted during this session: talking about education budgets or talking about the balance of public finances is primarily talking about growth, acting on the private sector and obtaining the means of growth. So the fundamental decision, with the IMF in lead, but followed by all players in financing development, is to promote countercyclical tools, in detail, that is to say, countercyclical mechanisms to deal with the volatility of prices or globally as a means of recovery, for example. In the same perspective, it is clear that guidance is needed on net savings and the use of the net savings by major sectors, a question related to the weight of education.

I will conclude on culture since we are at UNESCO. Culture is central to how societies elaborate images of their future. Given the extraordinarily difficult political decisions that all governments will be confronted with in the coming years, it is unthinkable not to increase the dialogue between different cultures on the global circuits of money, the net savings, the link between environment, land, water and these very cultures. If we do not start today, we will find ourselves in a context where decisions will not be understood. It is important to declare that we have challenges ahead but it will not be enough if the perception of these challenges is not established in the opinion and if the opinion does not allow the appropriate political decisions to be taken. But some of these decisions are counter-intuitive and in any case they are counter-intuitive in the rich countries, that is for sure; but, in terms of budgetary decisions, the same applies in developing countries. This theme is very important and leads to a second one, which is education. In the content of education one finds the understanding of macroeconomic mechanisms we're talking about, without which, I repeat it, hard political decisions cannot be made.



### **JOSÉ MANUEL SALAZAR-XIRINACHS**

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# JOSÉ MANUEL SALAZAR-XIRINACHS

## A. 2009 IS A YEAR IN WHICH LABOUR MARKETS AROUND THE WORLD WILL BE HIT HARD

The present crisis started as a full financial crisis in developed economies, then it hit product markets, consumer demand and trade. And 2009 is the year that the crisis will hit labour markets turning into a global jobs and unemployment crisis. The risk is that it also turns into a social and political crisis in a number of countries. Unfortunately, many indicators suggest that the crisis will be much deeper and broader, and will last much longer than initially thought.

Four weeks ago the ILO released our annual Global Employment Trends Report. We anticipate a dramatic increase in unemployment in developed countries and in working poverty and vulnerable employment in developing countries:

- The report estimates three scenarios. The results show that open unemployment can increase globally between 30 and 50 million people in comparison to 2007, reaching a total of 230 million, which corresponds to a global rate of unemployment of 7.1%.
- The number of people in extreme poverty is estimated to increase globally by 6.1 percentage points over the 2007 levels in the worst case scenario which represents an increase of more than 200 million additional people earning less than USD 1.25 a day. If this happens, this would take the world back to the poverty situation it had in 1997, wiping out the gains over the past decade. The crisis means that 2009 will be the first year since the MDGs were launched in which poverty at the global level will not be reduced but instead it will increase.

As the recession bites, poverty reduction unravels and the middle classes worldwide are weakened, the risk is that social and political tensions will multiply. Many governments around the world will be concerned in 2009 with how to avert explosions of social unrest.

Compared to previous crisis, this one has been characterized by the **speed** with which it has hit and spread globally, and the **synchronization** of its impacts in different countries. Developed countries are experiencing a **vicious circle** of negative interactions between financial markets, product markets, trade, and now labour markets. Job losses lead to lower consumption, which lowers industrial confidence, which leads to less investment, which results in more job losses, and so on. The global and synchronized nature of the crisis means that national tools are not enough, international and multilateral action is imperative, and how the multilateral system reacts is a key part of the solutions to the crisis.

## B. IMPACTS AND PROSPECTS.

In March 2009 the downturn is unfortunately still deepening in and the risk is that a severe recession turns into depression. On January 28 the IMF released new growth estimates for 2009. World growth is expected to come to a virtual halt as it is estimated at only 0.5% for 2009.

### DEVELOPED COUNTRIES

Developed economies are expected to contract by -2.0%. The US by -1.6%; the Euro area by -2.0%, with the hardest hit being the UK -2.8% and Germany -2.5%; while Japan is expected to contract by -2.60%. The US economy shrank at its fastest pace in 26 years in the last quarter of 2008 and it is estimated that it could contract by another 6% in second quarter of 2009 before the impact of the stimulus package is felt, generating more unemployment. US unemployment now stands at 7.2%, and different sources predict it could hit 9% as the recession spreads.

In the Eurozone [EU16] the rate of unemployment climbed to 8% in December, which means that some 12.5 million people in the region are now seeking work. For the entire 27 nation EU, unemployment was 7.4% in December, up from 7.3 a month earlier. (Eurostat) And recent figures reveal that the recession in the Eurozone is steeper than previously feared.

Indicators that the global recession is getting worse in developed economies include the fact that the financial markets continue under stress, asset values continue to fall, credit disruptions also continue constraining household spending and curtailing production and trade. The IMF World Economic Outlook points out that in January the world economy seems to have taken a sharp turn for the worse.<sup>3</sup> As bad news continues to come from the financial sector, impacts on the real economy are still percolating. Energetic action has been taken by governments but many economists agree that the economic situation will get worse in developed economies before it gets better.

### DEVELOPING COUNTRIES

The crisis has affected developing countries surprisingly quickly and strongly, through multiple channels: reduced trade flows, decline in commodity prices, reduced liquidity and tightening of credit markets affecting both the private and public sectors, reduced flows of remittances, a drop in Foreign Direct Investment (FDI), exchange rate depreciation and uncertainty, and declining flows of Official Development Assistance (ODA). Let me talk briefly about key regional developments and challenges.

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3 Every day there are more bleak news: "More woe as 72,500 jobs axed in one day (FT, Jan 27); "Despair moves to the fore at Davos" (IHT, Jan 29); "Economic pain to be worst for 60 years" (FT, Jan 29). On 27th January leading corporations announced more than 70,000 job cuts: Caterpillar 20,000, ING 7,000, Pfizer 19,000, Philips 6,000, Sprint Nextel 8,000; Corus 3,500, Home Depot 7,000, General Motors 2,000.

## ASIA

The Newly Industrialized Asian economies (Asian Tigers) are expected to contract by -3.9%. Only the group of emerging and developing economies is expected to grow at positive rates with an average of 3.3%, led by China (6.7%) and India (5.1%). But China's growth was revised downward from the November 2008 estimate of 8.5% to 6.7%, and India's growth from 6.3% to 5.1%.

In Asia, as The Economist has put it "The scale and speed of the downturn is breathtaking and broader in scope than in the financial crisis of 1997-98" (The Economist, Jan 31st-Feb 6th).<sup>4</sup>

## LATIN AMERICA

In Latin America, after six years of high growth, growth in 2009 will be considerable lower, and even negative in a number of countries, including Mexico. All engines of growth and all sources of financing in LAC are affected by the crisis: trade, tourism, FDI flows, remittance flows, and the prices of primary commodities. The conditions that propelled the region's fast growth during the last six years are gone: the growth of exports, the high prices of commodities, abundant financing and low interest rates.<sup>5</sup>

The good news in Latin America is that the region is better prepared to face the crisis that in the 80s. First, inflation, the level of indebtedness and fiscal deficits are lower, providing fiscal space in several countries to respond to the crisis. The level of international reserves is also much higher. Second, most countries have implemented social programs: 85 million Latin-Americans are receiving a subsidy under Conditional Cash Transfer (CCT) schemes in at least 12 countries.

However, important weaknesses remain: a heavy dependence on commodity exports, and persistent inequality and poverty. Most important, social policy has not transitioned from a programme-based logic to an integrated view of inclusive-growth with social protection, that is, it has not transitioned to what in the ILO we call a decent work approach.<sup>6</sup>

ILO employment scenarios for Latin America indicate a possible increase in the unemployment rate to 8.3 percent for 2009 in comparison to 7.2% in 2007 which amounts to

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4 China's GDP, which expanded by 13% in 2007, scarcely grew in the last quarter of 2008 on a seasonally adjusted basis. In the same quarter Japan's GDP is estimated to have fallen by 10%, Singapore's at 17% and South Korea's at 21%. Industrial production numbers have fallen even more dramatically.

5 UNDP, Regional Bureau for Latin America and the Caribbean, Crisis Update No. 2. The Global Financial Crisis: Social Implications for Latin America and the Caribbean, February 10, 2009.

6 Social security schemes and social protection still have low coverage in many countries and have inadequate benefits for large sectors of the population. This has not only social but also economic consequences, as the "transitory poverty" increases induced by crises tend to become "structural poverty" with long term consequences on the welfare of the next generation on issues such as maternal and infant mortality, malnutrition and dropout from schooling.

roughly 4 million additional unemployed in comparison to 2007 (worst case scenario). Extreme poverty in Latin America decreased from 22% in 1999 to less than 10% in 2007. However, in 2008-09 we estimate that extreme poverty will increase by around 2 percentage points. This increase compares favourably with other regions, which will see increases by 7 to 15 percentage points except in Central and South Eastern Europe (non EU) and Community of Independent States (CIS).

## AFRICA

As for Africa, in the past ten years its economies have experienced faster and steadier economic growth than in the preceding two decades. Even a year ago Sub-Saharan African economies were, on average, growing at a similar pace to the rest of the world for the first time in three decades: Africa seemed to have a bright growth outlook. Today the picture is quite different.

Like Latin America and many Asian countries, the main drivers of growth seem to be gone or seriously disrupted: commodity prices, capital inflows, and remittance flows are all in decline. The decline in remittances has direct negative effects on households given that they are directly used for covering basic needs such as food, education and health. Key sectors that have driven growth in the past decade, such as mining,<sup>7</sup> tourism,<sup>8</sup> and manufacturing,<sup>9</sup> are being seriously affected and have been forced to decrease production and lay off workers. And promised increases in aid seem not to materialize. Throughout the region Stock Market Indexes are down significantly, numerous countries are suffering capital outflow risk. And African Banks are having difficulties securing lines of credit in international markets, thus tightening credit to the African private sector. Trade financing and financing of large infrastructure investment projects have been particularly affected.

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7 In the Democratic Republic of Congo, about 300,000 jobs have been lost by now in the mining province of Katanga alone due to declining commodity prices. In South Africa job losses are expected or have been effected as companies scale down on production such as Petra Diamonds Ltd which plans to halt output at its Helam mine in South Africa and lay off more than half of its workers (350 jobs at the mine out of 669 employees) while in Simmer & Jack's Buffelsfontein Gold Mines, nearly 10 percent of the employees are expected to lose their jobs. In Zambia, a total of 3,072 copper miners have lost their jobs since December 2008 as leading copper miners announced closure with immediate effect.

8 The Tanzania Association of Tour Operators (TATO) has seen cancellations, from mainly American and European tourists, of between 30 and 50 per cent starting in January 2009 and June 2009. In Kenya, while the first two months of 2008 saw 80 per cent hotel bed occupancy, in the same period in 2009, occupancy has averaged between 50 and 60 per cent, with bookings headed downwards.

9 Volkswagen South Africa has announced plans to close all production areas in the last week of February 2009 and in the weeks before and after the Easter weekend. Separately the company will be retrenching some 400 employees through a voluntary separation package process.

The ILO's most recent labour market information for Sub-Saharan Africa confirms that the region stands out as a region with extremely harsh labour market conditions:

- The unemployment rate decreased slightly in the past five years but our unemployment scenarios for the region suggest that the unemployment rate could increase to 8.5 per cent this year, adding an additional 3 million people to the ranks of the unemployed.
- Vulnerable employment (defined as self employed plus contributing family workers) accounted for more than 3 out of every four persons employed in the region in 2007. This rate decreased by 3.5 percentage points between 1997 and 2007 in Sub-Saharan Africa, however, our worst case scenario for 2009 suggests that the rate could increase from 77.4 per cent in 2007 to 82.6 in 2009 - a 5.2 percentage point increase. This would mean that an additional 28 million people could move into vulnerable employment in comparison with 2007.
- Similarly with working poverty, almost three fifths of the employed are classified as extreme working poor in Sub-Saharan Africa. For 2009 there could be an additional 36 million people earning less than USD 1.25 per day when compared to 2007. After a slight decline in the past decade, our worst case scenario suggests that the rate could increase from 58.3 per cent in 2007 to 67.2 per cent for 2009.<sup>10</sup>

Like in Latin America and Asia, the speed and nature of the impact of the crisis in Africa vary very significantly across countries depending on economic structure, policy constraints and other specificities. Some countries are more vulnerable than others. But clearly these figures suggest that it is very likely that the crisis will reverse the modest gains of many African countries in terms of growth, poverty reduction and job creation. These developmental impacts may be large and may outlast the crisis. Even less than in Latin America, in Africa social policy has not transitioned from a programme-based logic to a truly integrated view of inclusive-growth with social protection and decent work.

And, in contrast to Latin America, a number of African countries are highly vulnerable and have a more constrained fiscal policy space due to their high current account deficits, high debt levels and fiscal deficits. Unfortunately, many African countries can be classified as high risk countries on the basis of these macroeconomic balances considerations, as is done in a recent report by the African Development Bank.<sup>11</sup>

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10 About four fifths of the employed are classified as working poor when using the USD 2 per day rate, giving Sub-Saharan Africa the highest working poverty rate in the world. Our scenarios indicate that an additional 27 million people could earn less than USD 2 per day in 2009 compared to 2007. This is 4.4 percentage points higher- from 82.2 per cent in 2007 to 86.6 per cent in 2009.

11 ADB, *Impact of the Financial Crisis on African Economies*, Meeting of the Committee of Finance Ministers and Central Bank Governors, Cape Town, South Africa, 16 January, 2009.

## **C. SOLUTIONS TO THE ECONOMIC CRISIS AND THE ROLE OF THE MULTILATERAL SYSTEM**

Let me now talk about the policy challenges, the need for international coordination and the role of the multilateral system. There are plenty of problems to solve and a lot that governments are already doing.

The multilateral system should have an active role in the search for solutions to the crisis for at least four fundamental reasons:

- First, because the crisis is global and it cannot be solved by using only national economic tools;
- Second, it was the policies of the past that got the world into this mess, so solutions to the crisis should not just try to apply the same prescriptions. The crisis is an opportunity for rethinking approaches and paradigms, and to re-balance policy packages, both nationally and internationally;
- Third, the crisis is affecting emerging and developing countries and the UN system is the guardian of the international development agenda;
- Fourth, the crisis is now a full jobs crisis and potentially a social crisis affecting people. The focus of the response cannot be only in the financial and macroeconomic level, it has to also include measures centred on people to cushion the labour market, welfare and poverty effects. And the multilateral system can be extremely helpful in all these respects.

The conclusion from this is that the solutions to the crisis need to be global and coordinated, development-oriented, people-centred, inclusive, and of course urgent. The active role of the multilateral system should be based on a broad vision of what will be required for an effective response to the crisis and to the opportunities it represents and, for this, the multilateral system should agree on a number of messages, to help set the agenda and influence the formulation and implementation of solutions both globally and locally. What can these messages be? There is first and foremost a message about the policy packages to frame the issues. Solutions to the crisis should have at least a four-track policy package.

First, fiscal and monetary policies to keep credit flowing and provide fiscal stimulus to the economy. There is an important debate on the nature of fiscal stimulus and how to make it more effective for job creation and lay the foundations for a more sustainable growth in the future. Although important to boost aggregate demand, fiscal stimulus is not the panacea. As Robert Zoellick, President of the World Bank has said "Pumping money into the economy through fiscal stimulus is not enough, governments need to fix the financial system."

And this is the second track: restoring health to the financial system which involves dealing with the bad loans and toxic assets of banks, recapitalizing them, reshaping the financial

sector regulations, avoiding financial nationalism. As Dominique Strauss-Kahn, Managing Director of the IMF has said "If the financial system is not restructured, all the money from the stimulus would go into a black hole".

But there is a third track that the UN system must insist on and have key role in solving, this is labour market and social policy responses to mitigate the blow on labour markets and on people. Not enough is being done in this respect and to take care of the social and developmental dimensions of the crisis. This is important not only to promote recovery but to lay the foundations for a more sustainable and inclusive pattern of growth in the future. The labour market mitigation agenda should include measures such as the following:<sup>12</sup>

1. Strengthening income maintenance measures for the unemployed such as boosting unemployment benefits (duration, coverage), incentives to employers for work sharing and temporary worker retention, and complementary cash transfers programmes.
2. Expanding social protection measures and protecting pensions from the devastating decline of financial markets.
3. Strengthen active labour market policies to support employment and earnings such as introducing temporary payroll tax holidays or wage subsidies and expanding training programmes to the unemployed. Periods of slack labour demand are opportunities to invest in the development of worker skills.
4. Support to enterprises, particularly Small and Medium Enterprises (SMEs), to overcome cash-flow and access to credit problems.
5. A very important opportunity for employment generation is public investment in infrastructure, including community infrastructure through emergency public works with labour intensive techniques.<sup>13</sup>
6. Targeted support to vulnerable groups and sectors, such as for instance, introducing temporary youth employment programmes.
7. Restructuring of enterprises and sectors and how to do it in a socially responsible way.
8. Strengthening of employment services, whose basic purpose is precisely to facilitate the adjustment of firms and individuals to changing labour market conditions.

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12 See ILO "A Global Jobs Pact", Paper for the Tripartite High Level meeting on the financial crisis, March, 2009.

13 This includes: construction and rehabilitation of physical infrastructure, such as roads, bridges, schools, hospitals and clinics, social care and community social infrastructure upgrading, in particular through labour-based approaches. Labour-intensive approaches have become an important element of job creation strategies in many low-wage developing countries with considerable reserves of underutilized labour, and they can be applied in developed countries as well. While major capital-intensive new infrastructure projects take time to translate into increased employment, labour-based approaches can generate jobs and much-needed infrastructure quite quickly.

Employment services are more important than ever in times of crisis as workforce mobility increases.

9. Incentives and investments in energy efficient technologies and “green jobs” can be an important contribution to job creation and recovery.
10. Social dialogue at enterprise, sectoral and national levels for all of these policies.

Middle income countries with fiscal space and a better degree of institutional capacity are better positioned to introduce these types of policies; low-income countries have fewer options and need to rely on administratively less demanding programmes, such as public works and measures to increase productivity of informal economy activities, such as targeted micro-credit schemes.<sup>14</sup>

The UN should also be stressing the message that the present crisis is an opportunity to promote innovative patterns of growth. The type of growth dynamic experienced by many African and other developing countries in the past has been concentrated on a few export-led enclaves in mining or a few commodities. Agriculture more broadly and local industrialization has often been neglected. Also neglected has been investing in education, social services, science and knowledge, a point UNESCO has been stressing. The crisis is an opportunity to re-think and re-balance development agendas, not just to return to the policies of the past. For instance, by linking income support and employment services for workers to investments in skills development and promotion of the principles of lifelong learning during a global economic slowdown, there is an opportunity to raise future productivity of workers and enterprises while at the same time assist economically vulnerable members of society to remain or become connected to decent work. The ILO and UNESCO are engaged in conversations to strengthen our cooperation on these issues.

The fourth area is the need for global coordination and cooperation and the role of the multilateral system in this. The challenges of coordination include:

- Fiscal stimulus and global unbalances. Fiscal stimulus should not only be national but coordinated, as intended by the G-20. The question is whether there will be enough political will to cooperate. As the Managing Director of the IMF has said, not enough coordinated global action has been taken yet, and the G-20 credibility is at stake.<sup>15</sup>
- Trade. The other area of cooperation is maintaining open trade and the flow of trade financing. In contrast to the 1930s, today the threat to keeping an open trading system seems to come more from subsidies and bailouts of troubled economic sectors or

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14 How should labour market policy respond to the financial crisis? World Bank, HD and PREM Labour Market Teams, February, 2009.

15 The world needs to stimulate not only national demand but global aggregate demand. Surplus countries in the world economy have to stimulate their own economies and have to be willing to continue financing the deficit countries. It is in these surplus countries where the scope to increase aggregate demand in the world is the greatest. So the world economy needs a massive global rebalancing, particularly between US deficits and China surpluses.

“strategic companies” than from tariff increases. Industrial bailout policy risks turning into a subsidy war.

- Aid. The third area is ensuring adequate flows of development aid. Substantial transfers of resources to developing countries will be needed to enable these countries to overcome their financing constraints in addressing this crisis that originated in the developed world and to be able to protect the most vulnerable from the worst consequences. It is important for donors to honour their commitments not just as a matter of principle but because reductions in aid will amplify the negative impacts of the crisis.
- Labour market and social policy. It is not only in the traditional trade, aid and fiscal policy areas that coordination is needed. An essential ingredient in a balanced response to the crisis is cooperation on labour markets and social programmes including investments in basic education, technical and vocational education and social services. As I said, periods of slack labour demand are opportunities to invest in the development of worker skills.

Despite the enormity of the challenge, the world seems to lack effective institutions to coordinate and mitigate the downturn and its impacts. Policy coordination should take place within an inclusive multilateral institutional setting, making use of the legitimate platform that the UN provides. The G-20 process could well pave the way for a broader consensus but engagement of the entire international community is required to provide legitimacy to the immediate policy actions needed as well as to the implementation of the necessary reforms of the international financial architecture and global economic governance structures.

The multilateral system should not only have the right messages with respect to the policy packages but it should also develop operational programmes of support to countries and globally in all these areas.

The UN needs to have a positive agenda and provide new, innovative ideas. In a paper we produced in the ILO to be presented to the Governing Body in two weeks time we are suggesting the idea of creating a “Global Recovery and Jobs Pact”. This Pact is about promoting social and income security as a global goal; it is about ways to address global asymmetries and imbalances, and about the need to mitigate labour market impacts of the crisis.

Finally, the multilateral system should have a clear message about the role of the private sector in confronting the crisis and operational programmes on a broad front with them. While business cannot eradicate poverty, poverty will never be eradicated without business, nor sufficient jobs created in a sustainable way. Confidence needs to be restored and new forms of partnership promoted. Business engagement around social and development issues and good corporate citizenship are more important than ever. There is a broad agenda here but let me stop at this point.



### AMINATA TRAORÉ

Aminata Traoré (Mali) is President of the *Forum pour un autre Mali* and former Minister for Culture and Tourism of Mali (1997-2000).

# AMINATA TRAORÉ

In receiving the invitation to this meeting, I asked myself whether the impact of financial and economic crisis on Africa can be measured at the field level and more specifically in relationship to women. I was already engaged in a process of questioning the world-system at this scale where things are never explained to real women, who pay with their lives for macroeconomic choices that do not depend on them. When I told my compatriots that things might become more difficult, they were amazed and they questioned me and said that the situation could not be worse. It can not be worse because for a long time Africa has been undernourished, for a long time African youth, graduates or not, have lacked access to employment or decent income, for a long time exported agricultural goods have not secured the income necessary for African farmers to survive and simply live decently and with dignity.

There is a danger in the question that is asked here, the impact of the crisis on the development, lies with the risk of masking the fact that this crisis is systemic. We know nothing of subprime and all the rest but we sweat blood all the time to fill the gaps at the base of the system. And we suffer especially from the concealment of information on these matters of life or death for us. Because African women die in childbirth, we are the continent where giving birth cost nearly 500,000 lives a year. And this is the very context in which the IMF and the World Bank have estimated from the 80s on that the State must withdraw and that individuals had to pay for schooling, health, garbage collection, drinking water. If my parents had had to pay for my education I would not sit here before you today.

And yet we whine about the plight of Africa, the anti-model, a kind of pariah of globalization, which seems to be a success for others. And, suddenly, battle stations! We look at the other lament: the winners of the system are deadlocked. They have given the impression to the whole world that they had succeeded in everything so far because of the superiority of their values, their standards and that the entire planet would be reorganized through the lethal reforms so as to become a gigantic supermarket where everything is bought and sold, including human dignity.

Today, the issue is not to know what the impact of the crisis on Africa is, it is rather to grasp why so immensely rich a continent is in such a situation. We are talking about more than thirty thousand km<sup>2</sup> that are open for business; and business means uranium, oil, coffee, cocoa, gold, coltan. As long as you do not name that system, as long as we do not name the global economic order that allows a handful of countries and economic actors to levy a maximum of the planet's wealth. As long as we do not name the fact that the success of individuals and countries is primarily measured by what is produced and consumed, we are all invited to enter the competition, that is to say ceaselessly. Each morning, as individuals, we wonder: how do I outperform myself? How do I pass the neighbour? How can a country pass the other? And one wonders why people take Kalashnikovs and kill each other. But this is what they have been told

in the first place! Grow! Pass the neighbour! Be better than him through the possession of your laptop, a television, a suit.

Material things and consumption goods are what we have been presented with in the guise of development criteria. And this development did not work, it does not work. It works for a certain category of countries, the dominant ones, which told us after the fall of the Berlin Wall that the time of the market had come and that Africa can sell. But we do not control anything. The real risk today is to go towards less democracy. Indeed, with resources scarcity, all the talk is about foreign investment. Ordinary citizens are not supposed to know or hear about it, but we nonetheless see our leaders – and those of the rich countries as well – travelling the world looking for investors.

But who are the investors? They are not accountable to African women or African youth, who are forced to seek refuge today, moving abroad for more and more hostile destinations. 4,000 deaths in the ocean. Mothers are waiting; let us listen to the mothers. Emigration was precisely a way for mothers to take revenge on illiteracy and poverty. Their children are brought back to them in handcuffs. This is globalization, this is the world in which we are still staying the course of reforms. How can we ask Africa to stay the course of reforms? What reforms? The complete upheaval of our economies, our landmarks. People do not know where to head, surviving every day is a victory. I already wrote that every day is a September 11 in Africa, but nobody has to cure because it is engraved in all the heads that we are forever losers.

Racism has a new face. Errors and economic crimes can be committed by the powerful of this world, but Africans are asked to control, to spend their time controlling, their leaders who are beholden to the European Union and international financial institutions, which have the resources to implement the neoliberal agenda that has been substituted for the action plan of "Lagos". Africa had a project: we were discouraged from it, and we were told that this was not the right course. Now those who told us that are now deadlocked. We are on the brink. And they come and ask us how to exit this crisis. But, as for us, it turns out that we are asked to continue, it is assumed that the G-20 will repair the machine, it is only out of order, it will be started again, and Africa will have its chance, but when? We have been waiting for so long.

Today what is needed is a change of perspective on the real situation of the world. It has been said that we have not faced such a system since 1930, and that the architecture of the world was born after the Second World War. This whole architecture, these principles and mechanisms must be overhauled. We want to know why after so many years of bilateral and multilateral cooperation, there are always people who know for us. Where are the African experts? Where is the African gray matter that is able to say all that, otherwise, and in our languages? We must address the issue of language, we are in UNESCO after all; I talk about confiscation of information, withholding information because the essential things are said in French in my country. There is no debate in my own country to ensure that everyone can understand what we are talking about here.

So women wonder. I stress this point because without them, I wonder where Africa would be today. When people lose their job women are the ones who are active; when the young graduates are unemployed, they are the ones who must face the situation. Western powers can afford to pay – and at a cheap price – raw materials, or cotton for example, because everybody knows that the husband, the producer of cotton, can make his wife work for free. So when a country is being exploited, women and children are overexploited. As a child, I would sell things on the market for my mom and then go home to grab my notebook and study. But as for child soldiers, children implied in child prostitution, the way the international community dissects the problems and partitions them results in our being incapable of clearly seeing into the real, historical and structural causes of pain, which are evacuated because of our sectoral – and overly sectoral – approach of the issues. Illegal immigration is the daughter of a forced globalization. We would love, of course and the Dark Continent would love as well to be part of the world; but we were fooled – and not only us.

We chose the wrong challenges, we chose the wrong priorities. Money should not be the priority, profit should not be the priority: human beings should be the priority. This is why, when I was appointed Minister of Culture in my country, I went in search of the founding values, unifying people. There is a concept called “Maya”, meaning humanism, as everyone knows in Mali. The real basis of the transformation and the reforms we need lies there, necessarily: in the values and landmarks we are familiar with. It is for us to judge our leaders, it is to us to change, to promote the alternation on the basis of these values – but not on the basis of their success or failure in the implementation of neoliberal policies.

We were stolen our democracy. We are being told of global governance but the global system is undemocratic. UNESCO has a role to play in this challenge to the system. Does it have the outreach and resources? I do not know! As for myself, I ask that the IMF and the World Bank answer for the economic crimes committed against the peoples of Africa. It is intolerable that the G-20, that is to say that those who have sinned, gets back to table to take decisions in the absence of the victims. If we are not among the G-20, it is not surprising: it means they have the certainty that whatever comes out of the G-20 will be supported by our country. Do people agree with that? Why, since this system is in trouble, have we not heard or seen the culprit, the invisible hand of the market, which is never as invisible as when responsibility is at stake? Nobody has shown us who is at fault. The big picture is blurred.

Things are not well, but we will pull ourselves together. We must nevertheless be warned that replenishing the system will increase the race towards commodities. Thus, Darfur is primarily a matter of oil. There will be more races to agricultural lands of Africa. Zimbabwe is primarily a question of farmland. The Democratic Republic of Congo, is a question of coltan. Africa supplies this machine which takes advantage of the naiveté and the resignation of political leaders in Africa who are unable to name neoliberalism.



## **KEVIN WATKINS**

Kevin Watkins (United Kingdom) is Director of the UNESCO Education For All Global Monitoring Report (GMR).

# KEVIN WATKINS

My presentation is based on work I did with Patrick Montjourides, a colleague from the EFA Global Monitoring Report (GMR). There are four things I want to do. First, I want to give you a progress report on where we are the MDGs today, because the financial crisis has to be viewed against its backdrop; secondly, I want to focus on what the financial crisis means potentially for the MDGs and to illustrate that by references to education; thirdly, I want to say something about the risks for the MDGs; and finally, I want to think proactively about some of the things we can do to protect the world's poorest people from a crisis which was manufactured by some of the world's richest people.

## 1. THE MDGS – WHERE WE ARE TODAY

Let me start with the progress report, which begins with good news. There has been some progress on some of the key MDGs. There have been historically unprecedented reduction in extreme poverty – down by 320 million since 2000 (more than in 1980-1999) –, in child mortality – 3 million fewer deaths than at the 1980 benchmark year–; we also witnessed an increase in access to education – 28 million more children in school and progress on gender disparity –, in access to clean water and sanitation, and in aid, which went up from around \$70 to \$104bn 1999-2005. But there is bad news also. The MDGs and other goals set absolute, well defined targets. Most of them will be missed by most countries. As a global community, we are not doing that well with respect to the goals that have been set for the world's poorest people. In the case of child mortality, we will, on current trends, miss the Millennium target by 2 million: 2 million more children will die that if we were on track for the Goal. In education, according to our estimate, we will miss the goal by 30 million – and this is a minimalist target of universal primary education. There has been very limited progress in malnutrition: one third of the world's children are currently malnourished. There has been almost zero progress on maternal mortality. This is not a particularly encouraging backdrop and, in addition, despite the eight commitments that have been made, most donors are, as a group, very far from delivering. The shortages currently amount to around 30 billion US dollars against commitments of 50 billion – that is a huge deficit.

One main problem is that the bad news was getting worse ITYBL (In the year before Lehman) – which was really not a good year. There were large increases in malnutrition as a result of rising food prices. An increased number of people were pushed in to poverty by those food prices, but also by and energy costs. For the first time since 2006, we saw aid levels stagnate and fall. So the backdrop of the crisis is not very encouraging. Underlying this bad news is a failure of the international community to deliver –rich countries failed to deliver on their side of the bargain and developing countries failed to prioritize the poor.

## 2. THE IMPACT OF THE FINANCIAL CRISIS

Let us turn to the impact of the financial crisis. As is well known, the financial crisis started in the subprime market in the United States and worked itself to the banking system and to the real economy of the rich countries and now it has reached the slums and villages of some of the world's poorest countries. The impact of the crisis on developing countries has not made the headlines; but poor people are going hungry or are thrown out of school. We now face the risk of very large scale and potentially irreversible losses in human development, which will probably undermine the whole development goals project. What will be the impacts of the crisis? If we start with economic growth prospects, we are actually moving from a benign global growth environment to a malign global economic growth environment.

The table "The economic downturn" (See central booklet) summarizes the information and shows that the growth projections are moving downward. There is good news, which comes from the IMF and shows a massive recovery in 2010. But I think these projections deserve to be taken with a pinch of salt because they are far from robust. If you look at that story in the developing world, we can see a major slowdown across all regions. Economic growth is a rather abstract concept, but it is important to understand that it directly relates to prospects of poverty reduction.

If we take the numbers for Sub-Saharan Africa, we estimate that the growth loss below the poverty lines will be equivalent to something like 80 billion US dollars in 2009. This represents about 20 percent of the average income of somebody below the poverty line in Sub-Saharan Africa. It is not easy to progress in human development and progress towards the international development goals when you are suffering growth losses on that scale. It is not just the poorest countries in Africa: there are impacts across the Middle-East, Latin-America and East-Asia.

The channels through which these effects are going to be transmitted are well known – so I will not go through all of them. We are seeing a major contraction of international trade, which is hitting employment in East-Asia. We are seeing big reductions in financial flows, which are adding to a credit squeeze and employment problems in many developing countries. We are seeing remittances shrinking. What really matters in the development world, if we are talking about how to counteract those trends, is the fiscal space: what is the fiscal space the governments have to tackle the problem. We are seeing an unprecedented expansion in fiscal stimulus going into rich countries. To what extent can the world's poorest countries protect their citizens through fiscal stimulus?

We developed an indicator at the GMR to determine what can be a threshold for fiscal space:

- Fiscal deficits (3%)
- Government debt-to-GDP (+20%)
- Fiscal Revenue-to-GDP (+13%)
- Aid-to-GDP (+5%)

If you are above two of the thresholds we set, you do not have the fiscal space to protect your citizens against the shock. If you take this fiscal space measure and apply it to developing countries, you obtain a situation where 43 out of 48 low-income Countries lack fiscal space and the capacity to insulate their citizens from the effects of the crisis. Fiscal space is also highly constrained in middle-income countries, although somewhat less so. Applying those indicators to the countries facing the most serious problems in education, we can establish a comparison with our Education For All Development Index (EDI). The countries at the bottom end of the EDI distribution lack fiscal space, almost all of them – there many of them for which we do not have the data. If you look at a wider group of countries, e.g., the 43 countries identified by the World Bank as facing the most serious threats to development as a result of the crisis, it gathers nearly exactly the ones facing major difficulties in travelling to the EFA goals. These data are clearly pointing in the direction of a crisis as far as progress towards the MDG target of Universal Primary Education (UPE) is concerned.

We are also seeing potential reversals in aid. We know that we have a large financing gap in education, amounting to 7 billion US dollars. This sounds like a lot of money. But it must actually be compared it the hundreds of billions that are being spent on the banking system.

### 3. RISKS FOR THE MDGS

What is the impact of the crisis on the MDGs? We are already starting to pick up some of the impact. We know from past experience of past economic downturns that the health, the nutrition and the education of the poor in low-income countries tend to suffer across the board. In middle-income countries, it tends to be a bit more complicated, but the bottom line is that the world's poorest people do not have an insurance mechanism or a safety net. It does not take an awful lot to push people over the edge. In a context where we are peddling throughout major increases in malnutrition and poverty, this has huge implications across the board. An addition 53 million people could be trapped in poverty because of the crisis. We could see an increase of between 200 and 400.000 in infant mortality, as nutrition systems and education systems are affected. We are already seeing mass scale employment losses. In China 35 million migrants are going back home. We ignore the consequences on health and education, but they will undoubtedly be serious. We also have to mention rising youth unemployment, and so on.

### 4. RESPONSES TO THE CRISIS

What can we do in terms of responding to the crisis? First of all, to tackle the crisis, we need large scale financial transfers to developing countries. There are various estimates for this. Justin Lin, the Chief Economist of the World Bank estimates that around 400 billion US dollars are needed annually – that is equivalent to 1% of the GDP in rich countries – in order to head off those macroeconomic pressures that are going to work through the credit, the financial and the banking systems of poor countries.

In this Forum, a lot of us are concerned about education and the protection of its budgets – which are addressed in Nicholas Burnett’s intervention. It is important to make the point that you cannot head off a generalized budget crisis simply by shuffling resources between sectors, as in a competition, for example, between the health sector and infrastructure or education. We actually need to expand the financial resources envelop for developing countries. This is the type of crisis that the IMF was created to address and has failed to address in every single case of the last twenty years. There is a strong case in arguing that the Fund should have a major increase in its resource base, an expansion of the special drawing rights, which should be discussed at the next G-20 meeting in London in the next weeks. But for this to happen, it needs a governance structure in which developing countries actually have a voice. Those two things have to go together: an expansion of the Fund financing base and a voice for the developing countries.

The aid community can do a lot more also. There are a lot of question marks hanging over aid commitments at the moment. For example, the United Kingdom and France both made commitments to 0.7% ODA/GNI: is that going to survive the fiscal pressure and the rising unemployment that we are seeing in these countries? If you take the European Union, which made the commitment to reach 0.56% ODA/GNI by 2010, and factor in the reduced growth projections, that actually wipes off 4.6 billion from that commitment. That is a very big financing contraction for the MDGs. What matters for the developing countries is the real money that is going into schools, clinics or infrastructure, not how rich countries decide to set their targets.

It may sound obvious, but I have to say that we do not need these aid commitments to filter through in two or three years time, which is often how long it takes with agencies like the World Bank to turn commitments into money on the ground. We need it now; we need the human development stimulus to kick in right now. As for doing this, we have a multilateral framework in education, the Education For All Fast Track Initiative (FTI), which has actually become a very slow track which has delivered very limited resources; but it is a mechanism that could be used. We have to avoid mechanisms that set all sorts of separate donors’ initiatives and create issues of coordination and governance.

At the national level, now is really the time when developing countries’ governments need to prioritize inequalities, disparities and the national poverty reduction agenda. There will be budget adjustments because of the crisis – that is beyond question. How those budget pressures will impact different sections of the population will be a question of policy choice, where the tax burden falls, where the public spending cuts fall. The principle should be that the last cuts should be those suffered by the poor. We need to see pro-poor fiscal adjustments and the ring-fencing of human development budgets as well as a scaling-up of safety nets and cash transfer programmes for the poor.

As a conclusion, I will spell out some general principles:

- The world’s poor are not responsible for the current crisis and they should not pay the price of a crisis resulting from the mismanagement of the rich – ethical imperatives matter

- Investments in global poverty reduction, health and education can support recovery  
– economic imperatives are also important
- The MDG crisis represents a challenge to political leaders in rich countries and international development agencies
- The threat is an opportunity to demonstrate that international cooperation can deliver change we can believe in.

# SECOND SESSION

**INVESTING OUT OF THE CRISIS –  
IN EDUCATION, SOCIAL SERVICES,  
SCIENCE, CULTURE AND KNOWLEDGE**



## **NICHOLAS BURNETT**

Nicholas Burnett (United Kingdom) is former Assistant Director General of UNESCO for Education (2007-2009).

# NICHOLAS BURNETT

This contribution will consist first in a description of the state of Education today, which will be followed, secondly, by an analysis of the likely impact of the crisis, and, thirdly, by a discussion of what the resulting strategic directions for Education and for UNESCO should be.

Regarding the current situation in the world – based on the data from the EFA Global Monitoring Report (GMR) – we must first recognize why education is so important in a crisis or generally for the world. The reason is simple: there are 1, 4 billion students in the world at every level, primary secondary and tertiary, an impressive figure that does not include the children who ought to be in school and are not. This roughly means that one quarter of the world's population is in education. It is impossible to think about dealing with a global crisis without thinking about education.

What is the current situation, then? Over the last ten or fifteen years, there have been massive increase in enrolments at the primary level, especially in the countries furthest away from reaching the 2015 Goals, that is in Africa and Asia. This increase was largely – but not only – driven by very significant shifts in the enrolment of girls and by other important public policies. In the majority of countries, spending on education has been going up over this century with a massively increasing demand for secondary education and a very rapid growth in enrolment of the tertiary level. All of this is historically unprecedented.

One major problem is the out of school children. 10% of the primary school aged children are not in school. On the basis of policies before the crisis hit, the GMR forecasts that this number would at best only halve by 2015 – and one should not be so optimistic. Other problems are the quality of education – a major issue in developing countries – and equity – with inequities between and between countries. Literacy has not really progressed: this is the global disgrace as our Director General is used to say. Projections made by the GMR prior to the crisis indicate that illiteracy is not likely to come down by more than 10% even by 2015.

Now that we have a brief account of the current situation, we can turn to its roots. Many factors have their role, but for sure, one political commitment has been crucial for the realization of education at all levels including higher education, the establishment of international development goals, etc. A second factor is equally important and, to some, more important: sustained economic growth. The huge advances made in African countries are largely due to the sustained economic growth they have experience this century – at least until now – unlike the 1990s. Sustained economic growth makes things possible – on this ground, I would not agree with those who argue against economic growth. Why, then, do problems like literacy or inequalities persist? They are due to a lack of political commitment. So political commitment and economic growth are key.

The next point has to do with what might happen based on the lessons from past crises. Some elements are easily expected: reduced social spending likely to lead to reduced health and education spending, and not only for the governments, but for households, which find it harder to spend on education –even when it is free. It is a known fact that education is not free, even if there are no fees: there are other costs associated. Crises thus make it harder for households to make their own contributions.

These reductions can lead to declining enrolments and to increases in child labour. However, the patterns from the 1990s, particularly the debt crisis in Latin America in the late 1980s, and the East-Asian crisis of the 1990s indicate that that these trends apply more in low income countries than in middle income countries. In the latter – in some cases, Peru, for example – one can, interestingly, observe an increase in enrolment at the secondary level and in others at the tertiary level, precisely because people cannot join the work force. During the 1990s crisis, several East-Asian countries set up social safety net schemes to allocate funds to families and enable them to keep their kids at school. Some countries also decided not to cut their education or their research and related budgets. A further and very important aspect is declining aid, which is likely to decline if we look what happened when the Japanese bubble burst in the 1990s. Similarly, when the banking crisis and the financial crisis occurred in Scandinavia in the early 1990s, Nordic aid or Scandinavian Aid declined – and recovered later.

As for the comparison of crises, many commentators draw parallels between the current situation and the 1930s, but it is important to remember one essential difference between the two periods: we are experiencing a global crisis in a globalised world whereas in the 1930 it was a global crisis in a non globalised world. Also we've had this period of very long sustained economic growth, while it was not the case of the 1920s.

Bearing in mind the relations between education and work, we also have to ask whether this crisis will lead to a permanent decline in manufacturing. What will be the nature of the global economy to emerge out of this crisis? Another important question pertains to migrations, which are often evoked in the comments on the crisis. Numbers seem to vary but it is estimated that between 20 and 40 million internal migrant workers in China may move back to the rural areas, a number not including their children who would be moving with them. Similarly, expatriate workers are expected to move back from the Gulf. This could also affect movements between Mexico and the United States. Will the trends be reversed or increased? The migration movements are not totally predictable but they have implications for education.

Multilateral institutions are another key issue in our times. While it is clear that they are not adequate, they do exist and form some basis to help us out of the situation. Those of us who work on education, know that education has been established as a human right, a conquest we should not forget because it is very easy to forget about rights in times of crisis.

My next point is to explore seven directions we need to think about:

1. The first is to keep our eye on a long-term vision for education. We are in a short-term crisis but we need to remember that education systems are linked to the type of society they are found in. We need to remember about the world's poor, social justice, and peace, all things inherent to UNESCO's mission.
2. A second thing we need to do is to protect the gains already made. These are not unimportant. There is an opportunity for counter-cyclical investment in education. But how may these gains be protected? One: as we see with president Obama, through an inclusion of education within any type of stimulus package. It is interesting to note, in passing, the contrast that exists in the United States, where the President invests in education at the federal level and where, yet, some States, who employ most of the teachers, are, as California, laying off teachers. Other countries like China, for example, have opted for major stimulus packages without including education – but China spends, of course, much more of its GNP on education in the public sector than the United States.

A second thing countries can do to protect the gains already made is to maintain or even increase aid commitments – or, more aptly, aid disbursements, which always lag behind commitments. These disbursements should be focused on the poorest, on inclusion and on eliminating inefficiencies in education. In times of crisis, we must be willing to discuss such topics as efficiency spending or corruption.

3. The third area we should pay attention to is the promotion and reaffirmation of the right to education. While I do not have much to say on this subject, it is of obvious importance.
4. Fourthly, we need to reaffirm the centrality of education for economic growth. In a period of crisis, that people tend to forget how important education is for growth. We must not forget all the things that have been discussed for the last 10 years about the contribution of education to growth, to poverty reduction, to social development in general, and to the emergence of the knowledge economy which is not going to go away just because there is a crisis and may become more important in the future.
5. The next area we need to pay more attention to is to monitor the current situation in education. The GMR is an excellent report, equivalent to the OECD report, but those reports are by definition always out of date. We need some type of mechanism to find out what is actually going on. At UNESCO, we have launched a "quick and dirty" survey through our field offices of the situation but this is only quick and dirty. We definitely need some sort of mechanism for getting more timely information about the global state of education in a very rapidly changing world. So paradoxically the crisis might lead to a spur to improve the timeliness of statistical reporting.

6. The sixth direction we must follow is very important: we must ensure that policies open opportunities up rather than the opposite. This refers in particular to inequalities, quality education, or adult literacy. We must focus on the known causes of exclusion. We know that early childhood investments pay off particularly to deal with inequalities. We know that safety nets particularly in the form of conditional cash transfers and other mechanisms are particularly important when linked to educational targets such as enrolments. We know that there is a major teacher gap to be closed in order to meet the education objectives. We need to employ more people as teachers – even former investment bankers for example –, which could help in fact with employment. We also need to rethink technical and vocational education because we ignore what skills are going to be needed for whatever type of economy emerges or what kind of employment is going to be needed. Since it seems certain that even in the midst of the crisis, many more people are going to work for themselves, entrepreneurial education may be important, which may be an opportunity to forge a new strategy.

We need to continue to encourage investment in higher education, which will be at the centre of two major education events in 2009, the World Conference on Higher Education and the 6th International Conference on Adult Education (CONFINTEA VI). Repeating the crucial point made earlier, promised aid must be disbursed. We must set the money in motion, set the Fast Track Initiative (FTI) in motion, and set the various initiatives in motion. If we stay idle, we will most likely be in trouble. If we maintain a short term vision, if we do not keep education high up on the agenda, the risks are obvious: we could lose the gains in terms of poverty and inequality.

7. Finally there is some scope for short term synergies. There are things which need to be done in education which could also help directly with the economic crisis, particularly in terms of counter-cyclical spending.

These are particular areas where there is a convergence between what is needed for economic recovery and what is needed for education. In sum, we should think about promote inclusion as a guiding principle; about getting the poor into school; about making sure that the poor learn while they are in school; about better supporting technical and vocational education; about doing something major about teachers (we already launched a process with an international task force). We need to think about some major global initiatives.





## **WALTER FUST**

Walter Fust (Switzerland) is Director of the Global Humanitarian Forum, Chairperson of the International Programme for the Development and Communication Council and former Director-General of the Swiss Agency for Development and Cooperation (SDC).

# WALTER FUST

As a happily retired man who is, by hobby, working with Koffi Annan to help build the Global Humanitarian Forum, I would like to share some thoughts based on my experience in the private sector, civil society as well as in government.

The Davos World Economic Forum was entitled *Shaping the World after the Crisis*, which turned out to be terribly wrong because those who were at the basis of the crisis were not there anymore, those who came had no recipes and some just presented certain analyses. My conviction is that the crisis is not over. In many fields, it has actually just started. As we have previously heard in this Forum, we really have to deal with a multidimensional and multilayered crisis. We have to bear that in mind when we now find the very pertinent title *Investing out of the Crisis*.

Because of the financial economic crisis you will certainly expect that many governments will now probably have less money to spend. When listening around during my missions in Paris as Chairman of the Intergovernmental Council of the International Programme for the Development of Communication (IPDC), I noticed that quite a number of diplomats were already using this financial crisis as an excuse for their governments not to come forward to invest 50.000 or 100.000 US dollars in Press Freedom. This, in my opinion, is terrible! The psychological dimension of this crisis is adding up exponentially and is leading people to create a kind of self-protecting system. And that is in effect maybe more serious than the hard facts. Then the social issue: It is not just about unemployment, as we all know when we look at the economic perspectives again. That is what the World Bank said: "We cannot make any prediction up to June and maybe September. We do not know where we are." And other economists said: "We do not really know where to go." When inquired about how he would define present times, a professor of political economy said, after a short reflection: "We are in the chaotic transition towards uncertainty." This might certainly be true.

This uncertainty is one of the most important psychological factors we have to deal with. We already have big problems in many regions of the world as unemployment might rise and because of the whole migration issue. In a previous session, we heard about China. In fact there are, according to news I heard yesterday, fourteen million people going back to rural areas from urban areas because of unemployment. And the previous interventions in this Forum did not mention the climate displaced people issue. This is a new form of internally displaced people because the number is going to triple the next 15 to 20 years. And already today we have so-called environmentally forced migration in many countries, going up to about 25 million rising by 2020 to about 100 million. That is what specialists do say. When you add up all those dimensions then of course you come to a certain picture saying "What then? What is going to happen?"

We also heard about the demographic issue and the whole value question. Is it possible to address so many different issues at one time? We all know there is urgency and that we have

to address it together. But the problem is the following: do we have the vision and do we have the governance structures ready on a national level and on an international level? Asking the question "What governance in the future?" in Davos prompted an answer that was practically pointing towards a scapegoat: "We have to reform the UN!" We all know, though, that when you restore or renovate a house, you do not get a new one. We probably have to think differently and ponder whether we need a new house and a renewed world governance. I doubt that we are ready yet. But the Greek philosopher Plato once said: "Courage is a kind of salvation." Who should have courage, then? Not political leaders only, but all the leaders! All those who can mobilize others to become political! Because simply complaining is not sufficient. We have to act politically when deciding on – and I will come back on that – how to allocate the budget. We have to get this leadership at all levels.

I come to my second point: it is the time for UNESCO. Why is it so? Because I do not know any culture on this globe that would say, "We hate children! We hate our children!" If we do not invest to get out of the crisis we could also say, "We hate our children!" It is about youth. It is about the next generation. So, the reason for UNESCO to really make the case is: deploy the normative force you have and have impact on national politics! All politicians in national governments will be thankful because they will have to defend their budgets in national commissions and parliaments. Secondly, and that has been mentioned earlier, in times of chaotic transition, education is the best investment. Nobody can take away what people have in their brains, what people have in their hearts! Nobody! Thirdly, we need to manage cultural diversity and avoid any kind of uniformization. We must nurture this power. UNESCO has the capacities and the knowledge to do that, and if it does not yet, it should get them. Fourthly: we must open up access to science and mobilize the best brains. Lastly, we must manage and share knowledge and go for communication in times of ICTs. Communication is half the ticket! And you are the only organization dealing with the substance of communication and not communication in the public relation sense.

My friend Bertrand Piccard, the balloonist, once commented, at a management retreat, that "when you don't have wind as a balloonist you practically have two possibilities: either you stay quiet, sitting in your basket, and you wait for wind or you change altitude to find new wind." For UNESCO, the time has come to find a new wind. Find your strategically successful position! Mobilize efforts to reach people! Engage people to pressure politicians! Have the media and parliamentarians as partners, not just as transmission lines, but as resource partners! Rejuvenate the network of National commissions for UNESCO! It is not just a garden to have some nice talks. They have an important role to play. But they should not only fight for their own financial means and budgets. They have to be enriched by local people, by young people – I barely see young people in those national commissions. And also make the management of UNESCO work! I do not know how many of UNESCO's management people had time to follow your wonderful seminar today, but, for me, this is a scale to measure what importance you attach to the chances for change.

The next point is: 'Invest in youth and young adults!' Many youths do not like to be called like that. They want to be called 'young adults'. And in my opinion, one cloud is enough to eclipse all the sun. So give future generations that chance to cut their own paths. How can they become the future leaders if we do not remove those clouds and provide them with a clearer view on what we have to do. So, let us unite to be leaders again! A very great French man in history once said: "A leader is dealer of hope" (Napoleon Bonaparte). So, let's give them hope! All of you in this room can give this hope to young people!

And next point is: "It is wrong not to invest in education during crisis!" Education pays in the short but especially in the long run. About forty years ago Robert Kennedy – I just read him last night on the train – speaking about measurement of culture in national income said: "It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures everything except that which makes life worth while." Although he is probably one of the sternest advocates to support that culture of measuring everything in life, you can validate that. Happiness, it must be added, depends on wisdom.

My last point here would be that "Values do matter!" Societies who do not have a set of values – how to live together, how to solve problems, how to manage crisis, etc. – are bound to fail. We need value-based development to get out of this crisis. What universal values we need to avoid further increase of violence in family, schools and societies is another dimension. But this is part of education. It is even written in the Constitution of UNESCO that if men are able to go to war should learn how to make peace as well. This is the vocation of UNESCO and it is badly needed today and especially tomorrow. So the seeds for peaceful times, the seeds for good solutions lie in education. The poor cannot wait. The uneducated cannot lose any time: they need education now. It is about people! It is about our sole and only planet! We have the means! We have to mobilize power to invest into people and we have to avoid short sighted decisions by politicians in national parliaments, especially in budget commissions. Go for a higher percentage in education! Give them guidelines because all of those people who have to defend education in national parliaments are happy when they have a partner to support them.



### **MOHAMED HASSAN**

Mohamed Hassan (Sudan) is Executive Director of the *Academy of Sciences for the Developing World* (TWAS) and Secretary-General of the *Third World Network of Scientific Organizations* (TWNNSO).

# MOHAMED HASSAN

The previous two interventions made a very strong and compelling case for investing out of the crisis in education. Let me try to see if I can succeed in making the case for science, technology and innovation.

There is no doubt that the global financial and economic crisis occurred at a very bad time, when nations worldwide – and especially in developing world – are struggling with global sustainability problems and the MDGs as has been mentioned in previous communications. These global sustainability problems were very well summarized and discussed at the latest World Summit on Sustainable Development (WSSD) in 2002. These are the issues of water, energy, health, agriculture and biodiversity – what I point as the WEHAB areas. Of course now we have to add climate change because we know very well that climate change is having a negative impact on each and every one of these WEHAB areas. It is now well known and well recognized by all nations of the world that science, technology and innovation play a central role in addressing these complicated and interrelated sustainability problems. And it is only through quality education, research and innovation that a country can create new jobs and new technologies and eventually succeed in overcoming the global financial and economic crisis.

Let me substantiate this statement by just mentioning that two major countries have recently identified education, research and innovation as key elements in their long term strategy to overcome the global financial and economic crisis. These are the U.S.A. and China. Both face daunting economic problems, they are both planning to increase investment in science and technology to revive their economies.

In the U.S.A., for example, the House of Appropriations Committee released in the mid-January the American Recovery and Reinvestment Bill, which clearly provides increased funding for the National Science Foundation, the Department of Energy, the National Institute of Health (NIH), the National Oceanic & Atmospheric Administration (NOAA) and many other organizations dealing with research and innovation. Their argument is, in sum, that the U.S.A spent less than 3% in research and development whereas over the last fifty years, 50% of the increase in GDP in the U.S.A. had resulted from science, technology and innovation. As a consequence, they felt that investing in those areas will perhaps be the quickest way to recovery.

Last December, in China, the Prime Minister urged the scientists to help fight the global financial and economic crisis. Allow me to quote him: "Our confidence to face the global financial crisis should rely on science, knowledge and talented people. My government has a series of measures to deal with the current global financial crisis, which gives greater importance to the power of knowledge, science and technology that have far-reaching effects."

So there is no doubt that one of the major challenges facing other countries – especially the developing countries – is whether they will follow the examples of the U.S. A. and China and continue to invest in science, technology and innovation in solving their economic problems.

The biggest worry for the world poorest countries may not lie in the crisis itself but in the response to the crisis. Will these countries – I am focusing now on the poor countries, particularly in Africa – repeat the same mistakes of three decades ago, when steep economic decline and daunting budget deficits led governments to drastically cut the budgets of their universities' research centres? The result was that Africa home to some of the developing world's best universities in the 1970s became the continent with the world's weakest universities, which led to steep loss in the region's intellectual capital and the long term decline in the region's economic and social well-being. So we really hope that those countries will not repeat the mistakes of the past.

Let me now just reflect on what organizations like the Academy of sciences for the developing world (TWAS) or the African Academy of sciences can do to promote the role of academies of sciences in overcoming this financial crisis. Here, I will focus on a network of academies called the Inter-academic Panel. This is a network gathering all the academies of sciences in the world. A hundred academies are members of this network. These academies are merit-based and they elect the best scientists of their countries. We are thus talking of the best brains that we have as a whole. This network is located with us in Trieste and TWAS is in charge of its management. The network regularly issues statements, signed by the majority of these academies, on critical issues like, for example, cloning, bio-security, evolution, which are all very critical and controversial issues and on which the whole world wants to know what the academies of sciences have to say and advice.

There is also the Inter-academy Council, which is a group of the 15 most powerful academies in the world, including the National Academy of Sciences of the United States, the Royal Society, the Swedish Academy of Sciences, our own academy. They issue from reports on critical and important issues or areas. The last report they issued, was on energy and I am happy to see José Goldemberg in this Forum. He will probably address this in his intervention since he co-authored the report with Steven Chu, who is currently the Director of the Department of Energy. I am pleased to say that Obama referred to this report in one of his speeches very recently.

But what I really want to is stress that these academies of science, whether the Inter-academy Panel or the Inter-academy Council, unfortunately have not yet acted on or dealt with issues that relate to the current financial crisis. I think this meeting of UNESCO is really going to be an opening for these academies to deal with this issue, at least to address it from their own perspective. We are having a meeting of both the Inter-academy Panel and the Inter-academy Council in three weeks time, where we will hopefully discuss this financial crisis and examine its implications for science, technology and innovation. We will perhaps end up with a report or a statement that shows the positions of the academies of sciences.

In June this year, the governments of the G-8+5, as many of you might know, will meet in Rome. This is the Summit that is held every year in a different country. And the theme of this summit is going to be migration, energy and climate. For the last two or three years, every time the G8 plus five Summit takes place, the academies of science in the 13 countries, 8 plus five, the five countries being the developing countries, as many of you know, plus the academies of science in Africa, issue a statement on the topic of the summit. This time we are preparing statements on climate change, energy, brain drain and migration. These coming statements are going to be much influenced by the current financial and economic crisis and we hope that we come up with something that is actionable and that the heads of the governments of the G8 plus five will take some of these recommendations rather seriously.

Finally I should mention another important event that will take place within the framework of the forthcoming World Forum of Science, which will be held in Budapest in November 2009 ten years after the World Conference on Science. UNESCO will organize a ministerial conference and its Director-General will soon issue an invitation to all the ministers of science and technology in developing countries to attend this very important event. What matters on this occasion is that we hope to get some finance ministers to participate in this ministerial conference, which is, by the way, organized in collaboration with our academy. What is important is to have at least one session to discuss the issue of financing science and technology and innovation in developing countries bearing in mind the current financial and economic crisis.

As a conclusion, I would say that education, science, technology and innovation will not alone solve the global sustainability problem and the global financial crisis. I can assure you, though, that without increased investment in education, science, technology and innovation the global financial and economic crisis and the global sustainability problem will never be solved.



## **GUDMUND HERNES**

Gudmund Hernes (Norway) is Former Minister of Education and Research and Minister of Health of Norway and presently researcher at the Fafo Institute in Oslo and Professor at the Norwegian School of Management.

# GUDMUND HERNES

The goal of the Education For All (EFA) programme is to extend, enhance and expand education. More children and young people are to enrol in education for better quality for a longer period. One could also say that the purpose of EFA has been to provide more students with a good education more hours a day, more days of the year and more years of their life. Or, in short, the goals of EFA have been: all, more and better.

Many interventions have already addressed the impacts of the financial crisis which has struck with unprecedented swiftness, affects all countries and industries and now looks like it is going last for a more protracted period than previously thought. Globalization has been put in reverse. Where countries before could specialise, produce and sell to each other in ever increasing scale production is contracting, trade sinking and employment falling. What started out as an overextended housing market has metastasised into a structural crisis which leaves no part of the world untouched. Where the nations in most of the post-war world mutually pulled each other up, they are now dragging each other down.

We are faced with an economic crisis the likes of which the world has not experienced since the Great Depression of the 1930s. The crisis is systemic. Indeed, it is more than that. It is also a crisis of understanding. Economists do not agree on its dynamics, its likely course, its duration or the measures to take to overcome it. The only thing they agree is that it strikes faster, deeper and longer. The question I will address is what happens when the EFA "All, more and better" is pummelled by the global economic crisis faster, deeper and longer. I will also say a few words about what needs to be done. Since I have to be brief, a simple framework is needed – and as I cannot provide a systematic empirical review, I will only provide a few telling examples. A simple framework will be to ask how the global economic crisis will affect the demand for, the supply of, and the quality of education. These impacts will clearly vary widely, but given the time constraints, I cannot say much about these variations. What we can safely say is that those that are the worst off from before – continents, countries and groups – are more likely to suffer the strongest impact and the direst consequences.

My first question is: what will be the effects of the crisis on the demand for education? As incomes fall, parents will be less able to pay for education; relatively more resources will have to be spent on subsistence and housing; children will be required to spend more time – and from an earlier age – to work to supplement family incomes. For parents, the opportunity cost of education will increase and more of them will not be able to pay for their children's education or what is needed to afford textbooks or school uniforms. The number of street children outside the reach of school is likely to increase. Parents are also likely to withdraw their kids from school at an earlier age and in countries where a traditional culture dominates, girls will be more affected. There will be, in a nutshell, less continuation, more dropouts and greater gender differences.

The economic depression also means that millions of workers will be thrown out of work. ILO has estimated that the number will reach some 50 million for the coming year. Economists are also predicting that millions of workers will be unemployed as the economies of Thailand, Singapore and Malaysia contract, while the economies of the Philippines and Indonesia will grow at sharply reduced levels. There is very little those in charge of macroeconomic management can do to counteract the drop in demand of everything from computer parts to T-shirts. Since many of these developing countries do not have unemployment benefits, laid off workers by the thousands are returning to their home villages. Clearly this is also going to have a considerable impact on the education of the children, not only because of loss of income, but the schools are fewer and poorer in the countryside. Many will have their dreams of pulling themselves and their children out of poverty thwarted. Outlooks about labour market may also feedback to the demand for education: if there are fewer jobs into which education can be converted, why invest in it?

The economic decline not only affects the bottom of the social ladder but even the rich and the powerful. In the global economy thousands of financial professionals had been working abroad as they had literally followed the money. But now, many of those professionals, whether based in New York, London, Dubai or Honk Kong, have been stranded as laid off expatriates. This is likely to affect the international schools particularly in Europe. But international schools around the world are planning for a 5 to 10% enrolment decline for coming academic year of.

Demand for education is likely to fall not only at the primary or secondary level, but also at the tertiary, particularly in countries where students in higher education are primarily funded by parental support. Private loans or other private sources are likely to experience falling demand and many will have to cut short the dream of a college degree. Demand for higher education abroad is also likely to fall off, for example in countries that have specialized in attracting foreign students, such as Australia. As a rule of thumb, one can expect that the more education is publicly financed, the less demand will fall. Indeed, in some cases, for example in Scandinavian countries, there may be an increase in demand as it becomes harder for students with a bachelor degree to find a job upon graduation. Because of the economic crisis, they may prefer to continue with a master's degree. There is also reason to expect a shift in the demand for education, for example towards more e-learning, through which training costs can be kept lower not just for individuals but also for firms because education comes to you even if you leave a job.

As for the supply of education, the economic crisis is a double whammy for governance since revenue declines as social expenses increase. This means that budgets for ministries or schools, teaching materials, teachers' salaries will be in stronger competition with those of other ministries. Teachers may be laid off; more of them, particularly in developing countries, will not be able to sustain themselves only as teachers when parents are less able to pay for the children's education. Teachers' absenteeism is also likely to increase as a result. Classes may be cut and larger classes follow as a result.

This may happen not only in developing countries. The new U.S. Education Secretary, Arne Duncan, who will preside over a one hundred billion US dollars emergency aid to public schools, has put it this way: "we are not just facing an economic crisis here in America. I am absolutely convinced we are facing an education crisis as well." Mr. Duncan presented a doomsday portrait of education in the United States: if the stimulus money is not available, he said, then six hundred thousand jobs in education could be lost and class size could, in the United States, increase from about 25 to about 40. But even with the stimulus package, the United States, one the richest country in the world, face severe budget problems despite the infusion of money by the federal government. When these dire effects manifest themselves in one of the richest countries of the world, it is not difficult to imagine what the effects will be in poorer countries. This holds also for children in need of special assistance or special education. Again, those who are worst off may be hardest hit.

Higher education is also affected even in the universities in the higher echelons. A telling example is Harvard University: the world wealthiest university's endowment faces the biggest loss in forty years: Harvard is now short of cash. The faculty's salary have been frozen; 1600 employees have been offered early retirement; the Divinity school will not be able to cover tuition; the School of Arts and Science is cutting its budget by 10%; an extension for a new science centre has been postponed. As the saying goes, "as Harvard goes, so goes the world" – and now Harvard's funds are going down. So the cascading economic crisis not only affects all the parts of the education system in all countries, but it may also affect the subjects offered, for example, as exemplified in the shift away from the humanities in universities.

As for the quality of education, it will suffer and class will become more crowded, when teachers are fewer, more absent and less productive. The quality will also be affected when fewer textbooks can be provided for all children or updated textbooks cannot be bought likewise if schools cannot afford experiments, excursions or teaching assistance. Lower quality may in turn feedback to the demand for education: why send children to school if there is little of worth they can learn?

There is however one indirect effect of the economic crisis that can be beneficial for the quality of schools. More teachers may be recruited from the professions of ailing businesses and more students may choose to become teachers since the relative decline in the teaching professions is lower and the job security often higher than in private firms. But of course the funds to hire them must be in place.

Two conclusions can be drawn. First, the economic crisis has often been described in terms of enormous economic effects suffered, banks' deficits, losses to shareholders, closed factories, annihilated savings. In short there has been an enormous loss of capital. But now there is a risk also of a loss in human capital, which could be even greater. What is more, secondly, this loss is likely to become one for the long term because the impacts on education, the falling demand, the reduced supply and the declining quality are going to manifest themselves not just during the crisis but also, due to the loss of education, for the whole lifetime of those who did not have access to education. This will therefore be visible and it is going to be severe for the

next decades and particularly in the Third World. So the loss is not just immediate, it will be long-termed since millions will perform at a lower level than their potential and because they will not get an education they could otherwise have had. And yet, education is the most durable investment that can be made as it is embodied in our bodies: I can still use the English now that I learned fifty years ago and it has not declined by use.

What needs to be done? Nick Burnett gave us a sketch both stimulating and indispensable. What I have just sketched and illustrated here needs to be documented in detail. I am sure that it will be developed in the EFA Monitoring Report. Nonetheless, we should perhaps also think about an EFA emergency report, a report which would highlight and focus our attention on the devastating impacts of the economic crisis on education. As the first prerequisite for action is knowledge, the documentation can then be translated into premises for action, especially in the South, for, even if the North is also hard hit, it is in the South that the greatest difference can be made.

It was also in the North that the causes of the crisis were constructed. So not only that the North has the greatest riches, it also has the greatest responsibility. Hence the political response can neither be "beggars thy neighbour" or "every man for himself". The crisis will pose the greatest challenge for global solidarity for our generation and we must meet the challenge by urgently describing the education world as it is now developing and then immediately and forcibly setting about changing it. This is not just a question and challenge for global solidarity but also for global governance. As for now, there is an appalling mismatch between the reach of global markets and the reach of global institutions.

I will conclude on an allusion to Joseph Schumpeter who characterized capitalism as a system driven by creative destruction: if we let the crisis destroy education then we will destroy creativity itself.



# THIRD SESSION

# **THE POTENTIAL IMPACT OF THE GLOBAL FINANCIAL AND ECONOMIC CRISIS ON WOMEN AND GENDER EQUALITY**



## **MAYRA BUVINIC**

Mayra Buvinic (Chile) is Director for Gender and Development, Poverty Reduction and Economic Management at the World Bank.

# MAYRA BUVINIC

## A GLOBAL CRISIS WITH GENDER SPECIFIC IMPACTS

It is a great pleasure to be here and thank you so much for UNESCO for inviting me. I will very quickly go with you as to what we know at the World Bank in terms in the impact of financial crisis on women and families. First these are the main three messages and while they are pretty obvious they are important enough. Let me state them. First: the financial crisis will have gender-specific impacts. Second: the effects on women and children, if ignored, will both increase current poverty and imperil future development. And third: effective policies responses should build on women's roles as economic agents.

What do we know about impacts? If we have very little current evidence and little empirical evidence on the present crisis, we have historical evidence and particularly from recent crises. Knowing how certain crises have behaved, we are predicting and hypothesizing as to this crisis that there will be or there has already been a first and second round impact on women and families: drop in aggregate demand for exports, tightened credit markets and drop in remittances, on top of the food price shocks that continue to affect the poor. These drops will have three major impacts: we will have a loss of employment, a fall in lending resources particularly of microfinance and that will all result in a drop in household income, increased risk and poverty. And, then, vulnerable households will have to develop coping strategies which are the second round impacts.

### FIRST ROUND IMPACT

So let's go to the first impact: in export industries women workers will not so surprisingly lose their jobs and this is simply because in a number of country women are the main workers in export industries. For instance in export manufacturing in Malaysia 78% of the workers are women, in Bangladesh 85%, in the Philippines in electronics more than 50%. In high value export agriculture the same is the case. In Uganda women cut flowers, they cut flowers also in Colombia, Ecuador and Thailand. A majority of the workers tied to the global economy are women. As a consequence many of them will lose their jobs.

Second: tightening credit markets will squeeze loans to women producers particularly in the microfinance sector. Credits tightening will clearly affect everybody. In the formal financing sector, the majority of clients are men so they will be hit first by the impact of the crisis; but microfinance typically lend to women. In 2006, 3 000 microfinance institutions reached 133 million clients and 93 million of these clients were among the poorest when they got their first loan and 85% of the poorest were women. Now what you may not know is that, while a lot of microfinance institutions used to get their money from grants, more and more of them are getting their money

from the commercial sector. This is particularly true in Eastern Europe and in Latin America where more than 50% of the resources that microfinance have come from formal sector lending. As a result women will be significantly affected.

And third: a drop in the remittances will clearly lower the income available to households, especially poor households, and already we are seeing significant drops in remittances. And to all of this, you will just have to add the former impact of the food crisis.

## SECOND ROUND IMPACT: HOUSEHOLD COPING STRATEGIES

What are some of the household coping strategies and how are they having gender specific effects? Perhaps one of the most important coping strategies of households is that they tend to send women to work. This happened in the Latin America crisis most recently and East Asian crisis. This is not a universal phenomenon but it has happened quite a bit in the past. It started in the Great depression when in the US women went to work to earn and added income. It's called the added income effect. It happened in the OECD recession in the 70s. The table "Coping strategies: Households send women to work" (See Central booklet) shows what happens – the red is increased labour force participation of women, the yellow bars are men. In the crisis of the mid 90s in Argentina, Brazil and Mexico women went into the work force and men retreated. In the East Asian Crisis in the late 1990s in Indonesia both men and women went in the work force but men a bit more. In the Republic of Korea however this pattern did not happen and there both men and women retreated from the work force. In the Philippines women went into the work force men did not. We also have data from an early crisis in the 70s in Chile, which shows that women from the upper income quarter retreated from the work force, poor women from the lowest income went in the work force, which makes economic sense.

What is the second coping strategy of households? Households pull girls and boys out of school particularly in low income countries. In Madagascar with a fall in agriculture incomes girls were more likely to drop out of schools, in Cote d'Ivoire however with a drought enrolment decrease 11% point for girls and 14% point for boys. In middle income countries however, in Mexico with the peso crisis girls attendance fell by 8% with no impact on boys. In Peru with the 1980 crisis there was no impact on school enrolment for girls or boys. Schooling in fact increased. This tells you that middle income countries may have some kind of social security mechanisms safety nets to cope with the impact of the shock which is not the case in low income countries.

Now, this is quite, I think, a sort of staggering fact that I could not believe, but the third coping strategy of households is to cut back on health investments. This affects girls disproportionately. Previous interventions have already showed that the crisis will bring about increased child deaths. Estimates done at the world bank, I think, indicate that there is going to be an additional 400 000 deaths per year and that over the period of the Millennium Development Goals (MDGs) may end up adding to 1.8 to 2.4 million more infant deaths. When countries are growing infant mortality rates improve they lessen for both girls and boys. When countries are

contracting there are many more girls than boys who die. According to the available data, the crisis will have a disproportionate impact on girls, so of those 400 000 deaths per year. Given the data one can predict that the majority of those infants death will be of girls.

## POLICY IMPLICATIONS

What are the policy implications? A priority investment is to put income in women's hands in poor households because, first, the loss of employment for women in export industries, the contraction in microfinance that will likely affect women and the fall in remittances will all result in a drop in female earnings in poor households. And the loss of women's earnings in poor households can have long-term welfare impacts that are greater than the loss of similar male earnings. This is because a drop in female earnings will not only have a direct effect on current poverty reduction and economic growth, but it will also have an indirect effect on future poverty reduction and economic growth through the impact that women have on the well-being of children. And this is because income transfers to women and women's income has a larger effect on children's nutritional status than similar transfers to men. This is a very consistent pattern that we are finding in developing countries.

In the graph "Effects of income transfers to women on children's nutritional status" the vertical is the percentage of change in child's anthropometric measures – this is child's height for age a very good measure of nutritional status. And you have evidence from three very different countries – Brazil, Bangladesh and South Africa. The red is when you give income to women or when women gain income, the yellow is men's income. See what happens – in Brazil income in the hands of mothers significantly improves the nutritional status of children. It is the same in Bangladesh and significantly the same in South Africa. Look what happens when you give additional income in men's hands – it has almost no impact on child nutritional status in Brazil and it has a negative impact in Bangladesh and South Africa and this is simply because – we have found out and the development evidence is very consistent – that mothers prefer to invest meagre earnings on child well-being. So in poor households when you give women income it really makes a difference.

The same goes with the effect of female borrowing – the graph "Effects of female borrowing on household welfare" shows the effect of female borrowing on household welfare, which is larger than the effect of male borrowing. This is evidence from Grameen Bank in Bangladesh and you see again the red is women the yellow is men. In Bangladesh with a 10% increase in borrowing from Grameen Bank the per capita household expenditures increases much more when women are borrowing than when it is men. The height for age of children increases dramatically when the borrowing is done by women. Investing in women's income is thus especially important and especially in more than about 33 to 50 countries where women are most vulnerable to the effects of the crisis.

I do know in which countries women are most vulnerable because we are still working on it but we plotted countries where there were decelerating growth combined with countries

with low gender parity in schooling and high child-infant mortality rates. The countries that do the worse are countries with decelerating growth, low gender parity in schooling and high child mortality rates. Those countries are really going to be suffering tremendously in the crisis. The status of women is really going to suffer and to be highly vulnerable. There are about fifteen of those countries. Six of them are even in a worse situation because of their constrained fiscal space. Around those countries that have one or two of these conditions, there are thirty-three countries and if you add to those the countries where growth is more than likely to decelerate, you are up to more than fifty countries.

What is the Bank's response? What do we need to do? Basically we need to increase women's incomes in poor households. Through what? Through employment generation programs, through cash transfer programs and other social safety net programs and through capitalizing of microcredit institutions. The Bank has a Gender Action Plan it's called Gender Equality as Smart Economics and I am delighted to say that UNESCO also has a Gender Action Plan about to be approved. One of the unique features of the Bank's plan, and I think it may be of the UNESCO's plan as well, is that it has a budget: with a budget we can really make a difference. We are going to allocate all of the financial resources in the plan's budget for this year in order to assist in ensuring that the World Bank Group response to the crisis maximizes women's income, especially in those countries where women and girls are most vulnerable to the effects of the crisis. The Bank, the International Finance Corporation (IFC) and the government of Germany have already launched a 500 million US dollar support to microfinance institutions. That will really help tremendously, particularly for those women borrowers of microfinance. The Bank is setting up a huge vulnerability facility that will include support to infrastructure, to social safety net programs and to microfinance and small enterprises. We are working to make sure that the facility targets women as economic agents not only in their roles of mothers and child bearers because this is going to go a long way towards mitigating the long term effects of the crisis. With its Gender Action Plan, UNESCO can make sure that girls are kept in school in those lower income countries. Otherwise, there will be dramatic consequences for the next generation in terms of additional infant deaths and girls and boys out of school, the long term negative impact of which nobody can today.



### **DIANE ELSON**

Diane Elson (United Kingdom) is Professor of Sociology at the University of Essex, U.K., and co-director of the Levy Institute's program on Gender Equality and the Economy.

## DIANE ELSON

In my presentation, I want to talk about men as well as talk about women. First of all, I think that there will be negative impacts on both, women and men and girls and boys. I think in those countries where the export sector employs mainly women, the examples that Mayra Buvinic gave, it was certainly women who disproportionately bear the loss of jobs. In other economies, perhaps where minerals are key export, it may be men who disproportionately bear the loss of jobs – or where the construction sector is cut back the most in countries where not very many women worked in this sector. The employment effects of the crisis are thus going to be contingent on the particular economic structures of different countries and where men and women are employed. What will be nonetheless common across all countries is the entrenched idea that women have the primary responsibility for acting as a safety net of last resort and ensuring that their families survive as best as they can. This underpins what chairperson of the session said about women and the stress they feel in relation to the economic crisis.

I want to put before you two scenarios: a pessimistic and an optimistic one. My pessimistic scenario is that the kinds of negative impacts of the crisis, that we have been hearing about today, will lead you a more permanent deterioration in gender equality, a regression in attitudes and practices at all levels of society, in families, communities, governments and multilateral organizations. My optimistic scenario is that we recognize the danger of this and we take the steps that are required to avoid this.

The pessimistic scenario starts off from this perception that, certainly in the past, it is women and girls who have been caught upon in particular to provide this informal, ultimate social safety net when all other social safety nets have failed. Aminata Traoré referred to that this morning and her remarks about when men lose their jobs it is women who have to cope with the consequences of that. One of the things that women do in response to an economic crisis is through an extension of their unpaid work, which they do perhaps in growing vegetables at home, in making-do and mend, in preparing food at home instead of buying ready-made food, in taking longer in collecting water and collecting fuel, because their families can no longer afford to pay charges for these items. Unfortunately these efforts still remain largely invisible because we do not have the statistical systems in place to monitor changes in unpaid work in a rapid and timely manner. These invisible efforts impose costs on women and girls in terms of health, education, equal participation in decision making in their communities. There are, of course, negative impacts on men and boys as well. All too often, the loss of jobs is very demoralizing to men.

The next stage of my pessimistic scenario is that in such a context we lose the vision that we have come to construct of gender equality as one in which men and women share equally in the work of getting a living and raising families and making decisions in families, communities, businesses, legislation. Instead these progresses are being replaced by the return to an ideology in which men are seen as the breadwinners and women are seen as the homemakers and the wives who do not need the same access to education and to employment as men. We might

develop a situation in which women's rights are seen as a luxury that we can no longer afford in straitened circumstances.

This will be compounded if the policy response to the crisis in many countries is constrained by their lack of fiscal space, something that has quite rightly been emphasized by several of our speakers. In such circumstances ministries of finance will not be very responsive to ideas about ensuring that there is spending in the kinds of ways, for instance, that Mayra Buvinic has rightly emphasized. In these constrained circumstances, priority may be given to men's jobs and men's and boys' needs for education and training, while women and girls continue to maintain this invisible social safety net and play little role in decision making, national and international level, about how to respond to the crisis.

If the pessimistic scenario takes place, when and if recovery finally comes and employment again expands again, women much more than men will find they are offered pre-carrier, low income employment with low prospects. The generation of girls who have lost out on education will be ill-prepared for new, more sustainable and more remunerative jobs, which, for instance, would require using the new technologies, developing the new technologies that we are going to need to address issues like climate change and to ensure that the recovery is a green recovery. In those circumstances investing in women's rights to education, to health, to work, to an adequate standard of living will be the last priority to get attention.

We should hope that the pessimistic scenario does not take place – and we have the means to avoid it. This is why I will now turn to a more optimistic scenario and outline what we can all do to try and bring it about. In my more optimistic scenario women and girls are joined by men and boys in constructing informal social safety nets based on inclusive solidarity. All contribute equally their unpaid work to this effort. Men and boys learn like women and girls to derive self-esteem and social identity from caring for others as well as for earning an income. This in my optimistic scenario would be celebrated in the media and would become visible in data on who is doing the unpaid work. NGOs and churches and other civil society organizations would take the lead in encouraging this kind of social solidarity between women and men. In my optimistic scenario women's rights would be appreciated as human rights' obligations. I was very pleased to hear earlier how important it is to remember that education is a right. But we also have to remember that there exists a Convention on the Elimination of all forms of discrimination against women (CEDAW) and that women have a human right to equal treatment.

In my optimistic scenario the fiscal space for developing countries would be expanded not only by ensuring that there is more and more rapid disbursement of aid, but also by policies to address the issue of the toxic debts of many poor developing countries. We have had a lot of emphasis on efforts to relieve banks of their toxic debts and to recapitalize them. One would like to see an equal emphasis on completing the rather inadequate efforts at debt relief so far by making a much more deliberate effort to cancel the un-payable debts of the poorest developing countries.

In my optimistic scenario women would play an equal and effective role in decision making on how to use expanded fiscal space. They would build upon the efforts that have been taking place in many countries on gender responsive budgeting, where women have been monitoring the way governments raise and spend money and suggesting better ways of raising and spending money that focus on poverty and equality. And in some countries governments have been listening and taking this up and trying to institute in their budgeting processes a concern for gender equality and for poverty. This demonstrates that there are things that we can build upon.

I would hope that this fiscal space is used in the kinds of ways identified by Mayra, and also includes investments that will have a rapid pay off. Fiscal space can be larger than seems at first sight when you invest in things that have got a rapid pay off and rapidly generate new sources of finance, productivity and revenue. Investing to support women farmers is particularly important in view of the food crisis in many of the poorest countries.

In the optimistic scenario I also would like to draw attention on how important it is to invest in training women equally with men for the skills needed by the kind of new "green jobs" we will need if recovery is to be sustainable. In the United States, people use to talk about Rosie the Riveter as the symbol of the women who, in the recovery from the great depression of the 1930s, had been trained in developing new skills, like working with metal, riveting iron plates together. Rosie was an emblem of the transformation that came about. Now people are suggesting we need to talk about Rosie the Insulator, the woman who is trained in the new skills of insulating houses so that the energy costs are reduced. If this optimistic scenario was realized, we would see a recovery which would be generally sustainable and in which women have the same opportunities and chances as men to get not just jobs but decent jobs.

What can we all do to bring about that kind of scenario? There are roles for civil society, international organizations, and governments. Since we are in UNESCO, I will end with a few comments of encouragement to UNESCO and the kinds of things it could do to bring about the more optimistic scenario. We have heard about some efforts of UNESCO in global monitoring. They should extend their rapid monitoring to include data about these invisible impacts of the crisis on the unpaid work that men and women are doing, but particularly women. They should build upon the points made in our previous session about the content of education, both to address this issue of ensuring that women develop new skills equally with men and the issue of men developing a culture of caring values and of concern for the family and the community equally with women. Home economics should not be addressed only to girls but also to boys, so that we built a basis for a future of genuine gender equality based on equal caring and earning. Finally I think that UNESCO can play an extremely important role in stressing the rights-based approach, in stressing that, to come out of this crisis, we must never forget those central ethical values of human rights and ensure that women's rights and gender equality are sufficiently highlighted.



## **CARMEN MORENO**

Carmen Moreno (Mexico) is Ambassador of Mexico and Director of the International Research and Training Institute for the Advancement of Women (INSTRAW)

# CARMEN MORENO

First I want to thank UNESCO for inviting me to this very interesting meeting and congratulate you because you have started a discussion on something that too few people are discussing: the potential impact of the economic crisis on women and gender equality. The World Bank and ILO may have covered it, but that's it. No other international institution is doing anything serious on this issue. There are, as was underlined before, no concrete data so to speak. My conviction is that we need a new international financial architecture with a gender perspective. This crisis has to give us the opportunity to change the paradigm of development but also the paradigm of gender equality in a way in which it is no more seen as something lateral, but is seen as something that should be mainstreamed in the culture. It is very clear that women are the only ones talking about women and gender issues. This should not be the case. Men have to be totally involved, but in order to be involved, they have to be educated and they have to know the realities and that it is for their own good that they should be gender sensitive.

The crisis is affecting the financial sector and the real economy. It has a woman's face; but this woman face is almost invisible. We need countercyclical gender oriented measures. I think there is a consensus that the world economy faces a deep recession and that this is the worst crisis since the Great Depression. But there is no consensus on how long and how profound the crisis will be. Therefore this morning we heard several very interesting approaches on forecast. I will not give figures since they change every day. The last one we have – from the IMF – is that this year the economy is going to grow 0.5% in the whole world. This is very preoccupying and this figure may even change tomorrow as the Managing-Director said "I am going to give you more forecast, and they for sure are going to be downward."

At stake is our need to avoid a global political dislocation: people have already started to become worried about a situation described by the U.S. Chief of Intelligence as the greatest threat for the U.S. Problems of political stability may even surface.

I don't know how the world is going to solve the biggest confidence crisis that we are facing but something has to come out and something has to be new.

It has already been mentioned that we need measures for the heavily indebted poor countries, which is another element we cannot forget. All this day, we have been hearing that growth in developing countries has diminished and that there is a risk of increasing poverty. But we have not heard that there are also global criminal activities increasing like trafficking of drugs, arms and people, in particular women and children, for labour, pornography or sexual exploitation. This will happen more in fragile economies.

I also went through all the figures of the signals of the crisis. As employment was covered by the ILO representative, I will not go into that, except to mention that women account for over half the increase of unemployed and that the unemployment rate for women increased more

than for men and that in some countries, women are being laid off because they are pregnant or because they are women. As you heard in the newspapers, women lose their job at twice the rate of men. We also have the problem of the working poor, who are will reach 45% of the world employed – and of these 45%, more than half are women. The proportion of people in vulnerable jobs can reach 53%.

We have this traditional paradigm that the male breadwinner is the one that has to be having a job, which compromises jobs for women. Women are being laid off because we want to save the jobs for the men. People consider that it is more difficult to have men without jobs. But women go into work because they really need the money. They go sometimes into normal trades and sometimes into not so easy trade. Women also earn less than men – that you all know –, up to 70 or 90% less for the same trade. But they have to work. As they are more flexible and more pragmatic, they naturally end up in the less well paid jobs. Women will work more in unpaid work like household work or part-time jobs or temporary work or unregulated work. They will have no social security.

In Latin America, commerce, financial service, industrial manufacture, textile, *maquilas*, tourism, restaurant or domestic work are being hit and they are the trades where women work. 60 percent or more of women workers are concentrated in the informal sector – excluding agriculture – and often carry out some of the most precarious type of work limiting their access to and the control over resources.

Jobs diminish for women at the higher socio-economic level because they get salary cuts. There is less demand and there are fewer possibilities of work. But women at the lower level income enter the workforce at a lesser speed and they will accept any type of jobs. There will also be a disproportionate impact for indigenous and marginalized women. Political protests and strikes are already taking place in several countries. And we will see that political stability is going to be hit by the economic crisis.

We heard many things on poverty. I only want to mention that more than half of people living in poverty with less than one dollar a day are women with children and that 26 percent of poor adult women are single with dependant children. We already heard that from 130 to 150 million people are going to be pushed into poverty this year. 46 million more are going to be under the absolute poverty line at 1.25 US dollar per day. Infant mortality was also mentioned this morning, which brings us to the problem of gender inequality. Women need equal possibilities of participation in the development of their society; therefore they need equal opportunity.

The status of health has already been evoked, but what we did not hear anything about violence about women. What is going to happen to this issue? Last month, the United Nations Committee on the Discrimination against women issued statement saying that women and girls in both developed and developing countries will be particularly affected by the potential decrease of income – both at work and at home – and the potential increase in societal and domestic violence. So violence against women is going to increase since it always increases when situations are stressful. Many women are going to be subject to rape and discrimination. In some countries,

they are going to continue being hit by all the family codes that prevent from having any type of freedoms and rights. The political, economic and social empowerment of women will remain impossible because these human rights will be suspended during the crisis.

Women migrants are also going to be having more problems. Trafficking is going to increase; undocumented migration is going to increase and migrants are going to become sort of a scapegoat of the crisis. The remittances are also an issue linked to women because women are now senders as well as receivers. They are very important in both cases. 60% of people who receive remittances are women, who use these for the household food, welfare, education and health, as was mentioned earlier in this very session.

What can be done to support women? First, what do women want? They want equal opportunities, the elimination of discrimination and changes in gender roles. We can change this if we go into gender-oriented budgets and countercyclical gender-oriented measures. The international institutions have also to be gender-conscious and the gender architecture needs to be finally established. At the national level, we should take care of the gender institutions that are going to be hit by budget cuts. What we need is to have women participate in societal changes and to be having them participate in changing the effects of the crisis.

# FOURTH SESSION

**WHAT IMPACT OF THE GLOBAL  
FINANCIAL AND ECONOMIC CRISIS ON  
CLIMATE CHANGE AND PROSPECTS  
FOR GREEN ECONOMY?**



## HILARY FRENCH

Hilary French (United States of America) is Senior Advisor for Programs at the *Worldwatch Institute*, and former Special Advisor to the United Nations Environment Programme (UNEP).

# HILARY FRENCH

Before launching into a specific discussion of the subject at hand The Impact of the Global Economic Crisis on Climate Change and on Prospects for Green Economy, I just wanted to give a little background on the problem itself as sort of a point of departure for the discussion here today. Some of the numbers that I am just going to give come from our recently released State of the World 2009 Report – State of the World into a Warming World. When one examines the growth of the carbon dioxide emissions, the principal greenhouse gas, over the last few decades, and in particular the adoption of the Framework Convention on Climate Change (UNFCCC) in 1992 the adoption of the Kyoto Protocol in 1997, the depressing truth is that, rather than reversing the growth of carbon dioxide emissions, we can see the next acceleration in emissions of greenhouse gases and in particular of carbon dioxide. This is a very sobering reality because scientists tell us we need not just stabilization but a very rapid decline in emissions, by something in the order of 15% over the next 50 years, if we want to succeed in preventing very dangerous levels of global warming. The fact is that we are not at all on the right course here, which suggests major challenges for the years ahead.

As the consequence of the growth in emissions is of course the built up of CO<sub>2</sub> concentrations in the atmosphere, the story so far is unfortunately not a good one. CO<sub>2</sub> concentrations have been climbing very steeply in the recent decades. Many scientists actually believe that we have already passed the point of safe concentrations and that we really need to get back to something like 350 parts per million. We are beyond that already. As for the combination of growing emissions and the growth of concentrations in the atmosphere, the result, as scientists tell us, is that the earth is warming. The Earth has already warmed by 0.74 degree Celsius since 1906. Mohan Munasinghe, who contributed to this Forum, predicts an additional rise of 1.84 Celsius degree this century depending how much and how fast greenhouse gas emissions are curved. Again, the problem here is that if we see anything like the upper end of current projections, we are going to be in real trouble. Many scientists believe that even a warming of 2 degree Celsius, which is more or less the target the international community is working towards right now, will leave us with very serious consequences in terms of diminished agricultural productivity, water scarcity, loss of biological diversity, growth of extreme weather events, all kinds of things that we do not want to see happen.

The backdrop by which therefore we enter this conversation on the impact of the economic crisis on climate change is a situation itself that is very urgent and serious. It is also important to understand that climate change is inextricably linked with economics. In particular, climate change itself is a serious economic problem. This was probably best brought home by the Stern Report a few years ago, which assessed both the cost of responding to the problem and the cost of inaction. He concluded that the cost of inaction would be far higher than the cost of the investments needed to adequately respond to the problem. He projected that if we continue on the path we are currently on towards a five degree warming, it will lead to economic losses as

high as five to ten percent of the world's Gross Domestic Product, and in developing countries it will be more than ten percent. So, as we think about the economic crisis we have to think about climate change as a very much part of the economic crisis picture. It adds another major challenge towards what is already as we now a challenging situation.

Now that you have got the background, I want to focus especially on the question we have been asked to talk about here today: "What does the economic crisis portend for global efforts to address climate change?" It is probably not a surprise to anyone in this room to learn that there will be very major challenges posed for efforts to respond the climate change by the very challenging economic circumstances the world currently faces. You Already we see alternative energy companies, renewable energy companies, having a hard time finding finance for their projects. We have a risk that energy intensive industries will more strongly oppose climate change regulation than they might have done otherwise, due to concerns of competitiveness and potential job losses. We have the threat, that is been talked about already, that foreign aid spending will be cut and this could be particularly damaging for efforts to forge the kind of North-South partnership that is going to be needed to respond adequately to the climate change problem. We must also consider that there is a risk of political distraction. Because this is a critical year for climate change, with major negotiations now on their way that are expected to come up in Copenhagen in December on the next round of commitments under the UNFCCC, there is a danger that, if the world is also focused on the economic crisis, we fail get the kind of high level political attention needed to really get these negotiations back on track.

After this overview of the challenges, the good news is that climate change presents us with opportunities some of them can be linked with the economic crisis. One is actually a sort of a blessing and disguised situation that we may not really want to celebrate: the global economic downturn is going to slow the growth in carbon dioxide emissions because as the economy grows, energy use goes up and so do carbon emissions. So we are going to see a slowdown, and this could arguably buy us time to make some of the advances in technology as well as on the policy front that are needed to adequately respond to the problem.

Another significant opportunity has been mentioned by many panellists in this Forum: integrating spending on clean energy and on a low-carbon energy path into the economic stimulus packages that are being forged around the world. The good news is that several countries, including important ones, are currently doing just that. For example in China and the United States, the world's two largest emitters of greenhouse gases, there have been efforts to green the stimulus packages so that they integrate investments in low-carbon energy. Other countries, the Republic of Korea for instance, Germany or Japan, are doing the same. Back to the United-States of America, resident Obama recently signed into law the American Recovery and Reinvestment Act. This is an amazingly fast action. He has been in office for just one month – and we have already a law that triples spending for clean energy programs to 71 billion dollars. All of this is very encouraging.

In terms of green stimulus effort, there is tremendous potential for growth in green jobs as part of the response to the economic crisis that we now face. One fortuitous piece of news is

that low-carbon energy paths are actually very jobs-intensive, much more so than our fossil fuels. This is a strong argument to be made: investments in low-carbon energy are a good strategy for helping us to get out of the job. Just to cite a couple of numbers, each million dollars invested in energy efficiency creates 22.5 new jobs versus only 11.5 new jobs for the same level investment in natural gas power generation. The same is true for solar voltaic panel which create 7 to 11 times more jobs per megawatt hour than do coal or gas. Analysts project that we are going to see a very rapid growth in employment in renewable energy. A jointed UNEP / International Labour Organization study, which was released last year and to which the Worldwatch Institute had contributed, projected very rapid growth by 2030 in renewable energy jobs – up to 20 million.

Before I conclude, I will to focus a little bit on such policy question as “Where do we go from here to try to bring about this transition that is needed at such a challenging time of economic crisis but at the same time we have a climate crisis to deal with?” or “How can we try to address both crises simultaneously so that one does not dominate the political agenda at the expense of the other?” Fortunately UNEP in particular is putting a lot of energy into this challenge of trying to focus the world’s attention on the need to create a global Green New Deal. This Green New Deal will integrate international efforts to respond to the economic crisis with efforts to address climate change and other pressing global environmental challenges. It is important to stress that this cannot be done in isolation. It requires working with a lot of people and sectors, including other international institutions, such as the International Labour Organisation and UNESCO. UN Secretary General Ban Ki-moon has been very supportive of this effort. The goal at this point is to take this agenda to the G-20 Summit in London to try to make the case that, as the world looks at how to deal with the international financial crisis, it really needs to be looking at the same time at how to deal with the climate crisis and with the need to forge an ambitious global green new deal. What we have to bear in mind as we are doing this is that the Copenhagen UNFCCC conference is being held next December. We therefore really need to bring these two processes together, given the urgency both of the economic crisis and of the climate crisis.

In conclusion I will to reiterate what others have said at this Forum, that it is very fortuitous that UNESCO has brought us together to have this very rich discussion because cultural issues are very much part of the picture, when we look at the kinds of changes that are going to be needed to deal with problems such as climate change and other pressing global environmental threats. We need to think about the way cultures and values intersect with this agenda. As a matter of fact, the Worldwatch Institute has planned to devote its next State of the World Report 2010 to the issue of cultures of sustainability. We look forward to continuing the dialogue on these issues.



### **JOSÉ GOLDEMBERG**

José Goldemberg (Brazil) is Rector of the University of Sao Paulo, former Secretary for the Environment of the State of São Paulo (2002-2006) and until 1992, Secretary of State for Science and Technology and Minister of State for Education of the Federal Government of Brazil.

# JOSÉ GOLDEMBERG

As we have heard a lot of negative visions about the downturn, I would like to try to convey a little more optimistic message. Let's look at the energy system of the world today and how energy is produced and used. Oil represents 35%, coal 25% and gas 20%, if you add them up you have 80% and the remaining 20% are distributed among nuclear and renewables, including traditional biomass used in Africa, parts of Latin America, and Asia in rather primitive ways and this could undergo a lot of modernization. Then you have the new renewables which are the dream of the environmentalists but are unfortunately not very important yet.

Admittedly, this system is very good for a quarter of the world's population only, which lives in OECD countries. For Japan and the United States it is a pretty good system. Approximately 1.5 billion people thus have a pretty decent standard of life. It is the first time in history that this happens. Two thousand years ago, in Rome, 1 per cent of the world population had a decent standard of living. Rome had about 1 million people and the population in the world at that time was one hundred million people. So a lot of progress was made but the bases of the system are fossil fuels and the system based on fossil fuels is now in crisis. The idea that we just went into crisis now is incorrect, though. The system was in a very serious crisis for three reasons: the exhaustion of fossil fuels resources, problems with security of supply and environmental impacts.

The exhaustion of fossil fuels, particularly of oil, is obvious as oil production in many countries has already passed its peak and is declining. The world's production has not declined because of the Middle East, where most of the oil used in the world today, 40%, comes from, a share that is increasing because production is decreasing in the other parts of the world.

We thus had very serious problem and what happened with oil, which went up to 250 dollars the barrel, can be compared with the housing crisis in the United States. People wanted houses that they could not afford. The same thing was happening with the oil, was so cheap that it was used in very expensive and strange ways. Everybody wanted an automobile. With SUVs, Americans are literally driving armoured tanks. A situation had been reached which was rather similar to the situation of the mortgage crisis in the United States. When you combine the two, what you have is a bubble – and the bubble burst.

The third problem pertains to environmental impacts which are of three types: local, regional and global. CO<sub>2</sub> usually prompts speeches about global impacts – I know that since I was Secretary for the Environment in the State of São Paulo, including São Paulo, a large city confronted with the pollution problems of any large city. Global warming is not the issue here, it is local pollution, a very serious problem. Anyone living in Beijing, Mexico City, São Paulo or Los Angeles knows that his quality of life is being threatened by environment impacts of fossil fuels.

We therefore lived in a crisis and, as a consequence, we have a situation now in which the present problems can lead us to the reconstruction of the system. There are technological options to get out of the quandary in which we are stuck today. I will begin with what is relevant for the industrial world: more efficient use of energy, especially at the point of end use in buildings, transportation and production processes. If you listen to the speeches of President Obama, you will realize that more efficient use of energy stands at a very high level. It is a low hanging fruit and any scientist will tell you that the present system can be optimized. The current system is inefficient because it was built at a time when energy was very abundant and very cheap. After the oil crisis in 1973, though, the system was optimized to some extent. In the OECD countries, energy consumption practically stopped increasing since 1973. Without energy efficiency measures, energy consumption in the OECD countries would have been 49% higher. Looking backwards, those efforts did not seem too difficult. There is clearly an order of gains of 30% to be made: this makes sense economically. That is what is so important in the Obama's discourse.

Another aspect to be discussed is the increased reliance on renewable energy sources, which are a great solution in some places – not in all though. There is a lot of wind in Germany, Denmark or Spain, which makes wind power competitive there. The United States is now installing a lot of wind mills. It must be added that renewables generate a lot more jobs than people realize. I will give you an example from my own country, Brazil, where we produce ethanol from sugar cane. Sugar cane has produced in Brazil for 500 years, since the Portuguese came and brought it for sugar. Eighty countries in the world produce sugar cane, the juice of which is very easily convertible into ethanol, a wonderful fuel for automobiles. It must be noted that, when the automobile industry started 100 years ago, it started with ethanol. But it was too expensive and oil prevailed. Today, though, Brazil is very successful with ethanol, which is competitive without any subsidies. One barrel of ethanol replaces approximately one barrel of gasoline while generating 60 times more jobs. The same goes for windmills and other renewables. This is a great opportunity. Finally, we can expect an accelerated development of new energy technologies, particularly the next generation fossil fuel technologies that produce near-zero harmful emissions, and also nuclear technologies – if the issues surrounding their use can be resolved. All of this constitutes a basic recipe for industrialized countries. In the future, by 2020, we can anticipate that modern renewables, wind, biomass and so forth, will represent approximately 20% of the energy consumption. That is already the objective of the European Union and presumably it will be true also for the United States in the next few years. It can be expected that the targets for 2050 will be much more ambitious.

Let us look, as a conclusion, at the developing countries. An important aspect must be stressed: developing countries might have a lot of problems but they are latecomers in the industrialization process. Economists love that expression. Developing countries have a latecomer's advantage because, instead of mimicking the industrialized nations, going through an economic development phase that was and is dirty and wasteful in creating an enormous legacy of environmental pollution, developing countries can leapfrog over some of the steps originally followed by industrialized countries and incorporate currently available modern and

efficient technologies into their development process. The idea that we have to repeat the mistakes of the past is incorrect and therefore this is an opportunity to be seized.

I would conclude with two ideas. The first one is that the Japanese ideograms respectively expressing crisis and opportunity have one ideogram in common, meaning that crises and opportunities have something in common. My second point is the following: two years ago the academies of science of France, the United States, Brazil and most of the leading academies of science commissioned a study entitled "Towards a sustainable energy future" to which we gave the poetic title of "lighting the way."<sup>16</sup> The co-chairs of this study were I and Steve Chu who is now the Secretary of Energy of the United States. If you listen to the language of Steve Chu and if you read the speeches of Mr. Obama, you will see that apparently they have been using this book, which tries to answer a very simple question: What can science do? I tried to outline what science can do.

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16 Available at [www.interacademycouncil.net](http://www.interacademycouncil.net).



### **YOLANDA KAKABADSE**

Yolanda Kakabadse (Ecuador) is General Counsel and former Executive President of the Fundación Futuro Latinoamericano; former Minister of Environment of Ecuador and former President of the International Union for the Conservation of Nature (IUCN).

# YOLANDA KAKABADSE

The first question that we need to answer is whether we should be thankful that the crisis is taking place now. Because we saw it coming, it's no surprise that we have a crisis now. It's not that we were living in paradise and paradise is lost. What was happening around the world, worldwide, was insuring failure in a way. The number of poor people around the world is growing. Who has an idea of how much packaged food is thrown into the waste basket every year, every week, every day? The percentage of packaged food thrown by Carrefour, Tesco or Wal-Mart into the waste basket every day is 45%! The name of the supermarket does not matter: 45% the packages of yogurt or tomatoes or meat or fish go into the waste basket. So thank god that the crisis is happening now and not in ten years when the human race probably lacks the capacity to react to that.

Bottled water shipped from France is sold in Ecuador or in New York or in Japan. Is that rational? No! To transport bottled water from France into Ecuador is absolutely crazy. It is also crazy that the public water systems all over the world have decreased their budgets and their interest in keeping the water pure for human consumption, because, in a way, they are forcing the market, you and me, to buy imported water in a bottle that comes from another continent. That is absolutely crazy. It is also crazy that we are depleting the water fountains of the world because of misuse and waste. Cities like Barcelona are already desalinating water, turning sea water into drinkable water. Maybe that's easy, because Barcelona is a seafront; but Quito is at 3 000 meters high into the Andes. How are the Quiteños going to deal with such a basic element of life when the glaciers surrounding Quito do not provide us with drinking water any more? Thank God that the crisis is now and not in fifty years.

The system of the world – the trade system, the consumption system – has convinced us that we need to eat meat every day. One day of meat per week would be more than enough for any human being. The system has convinced us that we need meat every day. That system is part of the depletion of the ecosystems, trying to bring meat to our table every day of the week. The shock of the crisis of today is opening our eyes or at least I hope it happens that it opens our eyes enough to take us into for creative solutions of what is happening today.

Climate change is now reflected in floods, in droughts, in landslides, everywhere, North and South and East and West. The big problem of course is that these climate change symptoms and effects are affecting the most vulnerable people; usually women, the elderly and the children. This should even bring us into being more creative about what to do. The big problem of course is that we need to set the table again for discussion at the worldwide level between policy makers of North and South and East and West about who pays the bill for these dramas created by climate change. The message is: "What a pity! We are creating these problems of climate change because of too many emissions: now please adapt." "Please adapt" is a scandalous message! We cannot deal with that! Countries like Ecuador do not have the capacity to adapt to climate

change. It is too expensive. So let us set the table and again, let us be thankful that the crisis has taken place now.

In terms of the green economy, there is not one action of the production system that doesn't use a natural resource. Producing a glass, producing a book, a laptop and of course anything that we eat or drink does need some natural resource. The big problem is that we, the environmentalists, including the panellists in this panel, we have been terrible at communicating. This is a message for UNESCO. We have made the world believe that the environment consisted in protected areas, the panda bear, the tiger, maybe a whale and a dolphin. We have not been able to tell the world that we cannot survive unless we keep the environment healthy. That is one of the challenges that we need to address today. There is an effort, a fabulous effort that is expressed in a report supported by the European Union and the Deutsche Bank. It is entitled "Valuing Ecosystems and Biodiversity, The Economics of Ecosystems and Biodiversity" and will be ready at the end of the year. The objective of this study is to provide decision makers of the business sector, of the government sector, ministers of finance, heads of States, media and citizens like us, with information about how to use biodiversity in an economic way without destroying the ecosystems.

That would be a wonderful contribution to a sustainable world, because we have been using the ecosystems and biodiversity as if they had no value at all. Sometimes, it is not only that we have not given them a value, it is that we have been acting at the detriment of society and development. I will take the example of coca, a leaf, like mint, like lemon grass. In Peru, in Ecuador, in Bolivia, a leaf of coca is a fantastic leave to make tea for digestion, in the evening or after lunch. But we have allowed it to be destined exclusively for drugs. The moment you mix the coca leave with acids it becomes a drug. But the coca leave is a wonderful biodiversity sample of a product that should be on our table in the cafeteria of UNESCO, in the restaurants all over the world. It would give coca producers the option of selling that product in a way that is not damaging to human society.

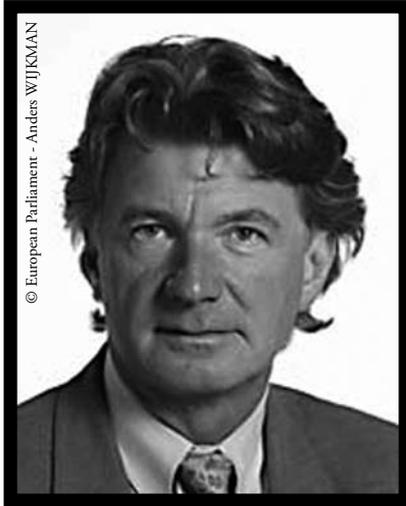
Let us take marine biodiversity: when we look at the ocean, few of us if anybody think of wildlife. I don't, I didn't. I used to think only of the fish that I am going to eat. But a marine ecosystem is full of wildlife and it should be taken care of. Now, society has been subsidizing the fishery sector in order to be more aggressive towards these species in the ocean. Thank God that the crisis is taking place now!

Some other thing need to be addressed, such as international agreements. Kyoto may have contributed a little bit. It is not enough, though. We need to generate other protocols that will serve the purpose of managing ecosystems, for example: tropical forests. And I hope it comes soon with the support to global institutions such as UNEP and UNESCO that deal with human values. But they do not receive enough budgets to work. We only think that organizations like the World Trade Organization require support. UNESCO and UNEP are the little sisters of the game. We need to support them.

In terms of agriculture, let's think of rationalizing the use of water and diversifying the table of the consumer. We have eliminated lots of species on different continents because it is simpler to invest just in a few of them.

Shouldn't the money of all the production of armament be invested in humanity, in biodiversity, in keeping the ecosystems alive? That is a big question and very difficult to answer of course. I was, for a couple of years, leading staff of the science and technology panel of the GEF (Global Environment Facility) which is a big fund for ecosystems and for global goods. I couldn't understand a thing of what the scientist were saying – and I am a policy-maker. So that's another challenge for UNESCO: translating that wonderful language of the scientist into the normal language of the decision makers. Otherwise, science is not a good investment. If we do not put money into that translation, what do we do with scientific results? Let's communicate! In terms of governance transparency, we need to work more on that.

As a last recommendation to UNESCO, I think every child from the elementary school should learn about conflict prevention. Once conflicts erupt, it is too late. All of us in school, high school and universities, should be trained to look and react when we see smoke. Smoke is a signal that fire is coming and that we need to do something about that. So again, this a wonderful opportunity even though it hurts everybody to have this crisis. It is a wonderful opportunity to rethink human relations, institutions, processes and quality of life.



## **ANDERS WIJLMAN**

Anders Wijkman (Sweden) is Member of the European Parliament and Vice-President of the Club of Rome, former Assistant Secretary-General of the United Nations and Assistant Administrator (1995-1997) of United Nations Development Programme (UNDP).

## ANDERS WIJKMAN

As last speaker in a very long day, it feels quite challenging to bring something new to this debate. This conference is very timely. I will start with the remark that the financial and economic crisis and the environmental crisis, whether we talk about ecosystems, biodiversity losses or climate change, all have the same roots: unsustainable resource uses, whether in the economy, in banks, in government offices, companies, or whether in nature. As somebody said, the warnings preceding the financial crisis were many. I read Paul Krugman in the Herald Tribune weekly. I can look back to several op-eds warning of the financial bubble years ago. All the greed involved in those institutions where your bonuses increased as your credit volume increased: a sick system! But it only collapsed when Lehmann Brothers went bankrupt. Then the whole deck of cards just collapsed. There is constantly new information. The latest being that one of the biggest banks referred to a loss of 61 billion dollars last year. That was the latest news.

When we look at climate, ecosystems, biodiversity, there have been numerous warnings over the years and yet we haven't taken action. As Hilary French said in this session, there is no perception of the problem among quite a number of people in decision making positions. I meet them every day in the European Union. They say: "We cannot really afford to address climate change the way we would like because of the economic crisis. We have to wait." Another problem is that finance is becoming scarce. Hilary French also told us about that. I would add that, in trying to address the environment and climate related agenda a third problem is that the oil price has gone from 140 US dollars per barrel in July last year to less than 40 US dollars per barrel. This breeds a lot of insecurity among investors. I am old enough to remember that Henri Kissinger wrote in 1974, at the peak of the oil crisis, that we should establish a floor price of oil to guarantee investments in alternatives. Unfortunately that did not happen.

If we want to tackle the economic crisis, the financial crisis and the climate and environment crises and solve them, what do we have to do? As Hilary mentioned, we have to use the stimulus packages for green investments. Colossal amounts of money are being pumped into the economies. In the longer term, I would suggest to rethink the current policy framework because it has guided us in the wrong direction. If we look at the stimulus packages so far, the message is rather mixed. The positive message is that, just over the last couple of years, more than 550 new legislations have been decided worldwide in support of renewable energy and efficiency in climate mitigation. But I would submit that, overall, much more should be done. In a recent study, the Deutsche Bank tried to estimate how large a percentage of the stimulus packages have gone into what they call green investments. The estimate for the US is around 16%, which is pretty good. In the European Union, it is 14%. I am afraid that the right decisions are lagging because there are a lot of diverging opinions.

As for directions, we can first look into the short term. I already indicated that we should multiply green elements in the stimulus packages. As an addition to what my colleagues brought

on the floor, I would say that we should not focus on energy and climate only. We should, as Yolanda Kakabadse said, take the sustainability approach. Because using resources more efficiently is as important as using energy differently and more efficiently. We will not protect biodiversity through natural reserves and national parks only, as Yolanda underlined. We have to start looking at the way we use resources because it is the pressure on the natural resources that is the main problem, whether we talk about timber, marine resources, water, and soils. There are, for example, currently almost 5 billion mobile phones in circulation and most of them are thrown away after 18 months, in order for Nokia and Ericson to earn their profits and revenues. Why do we buy these? Why don't we lease them? If the ownership rested with Ericson and Nokia for the telephone, their design would be quite different and we would have a much more efficient use on natural resources. That is just one example.

The protection and regeneration of ecosystems are therefore as important as acting on climate change. By the way there is a very intricate interplay between the planet system on the one hand and the climate system on the other. The planetary systems, the oceans and terrestrial ecosystems, have functioned as a buffer. They have absorbed roughly 50% of man-made emissions over the last hundred years. But that capacity is being weakened because ecosystems are being weakened. As the globe becomes warmer more of our emissions will stay in the atmosphere. There is a link. You have to take a systems approach in order to solve this.

Deforestation is a critical issue. As long as forests only benefit when you log them down they will be chopped down. There is no compensation for forest owners for carbon sinks, for biodiversity, for the livelihoods of the poor who depend on them: there is no compensation whatsoever. That is why the pressure on them is so high. It is a huge failure of our economic system. Soil conservation, is another critical issue. We only talk about emissions. Let us start looking at land use, the way we till the land. We have to promote the use of bio-charcoal or charcoal, which can be mixed with soil as carbon storage and fertility enhancer. There are so many things we can do but that are not being done. That is what could be done in the short term.

Let us turn to the long term, where we are up for some real challenges, not least UNESCO. We have to rethink our worldview and stop thinking in silos. Everything is interconnected. The organization of science and education is in my opinion a disaster. We are very good at specialization – of course, if I go to an eye doctor, I want a specialist. But it must be as important to understand how things are interconnected. You do not become a professor by understanding the whole, by understanding interconnectedness. You become a professor or are given a budget if you are a specialist. I am not against specialization but we have to give much more support and recognition to interdisciplinary studies. We have in particular to rethink the education of economists because they rule the world. You can still go through the Stockholm School of Economics or the London School of Economics without having to spell 'climate'. You do not have to learn anything about the natural world. Maybe that was acceptable, as long as our impact on the natural world climate or planet was relatively marginal. We could move on. We were relatively few people. But now those so-called external effects have become our core problem - they are called external effects

because they are not part of the economists' bottle. These external effects are now the main challenge. We have to retrain these people because they do not understand those inter-linkages. They are exceptions like Lord Stern, but they are very few.

We then have to rethink the whole economic policy framework. We have to stop measuring progress in society as if the question only pertained to the total sum of consumption. GDP is not a good welfare measurement. We know that but still we stick to it. GDP doesn't take account of anything that happens in households, volunteer work, etc. Many things are negative in society that are positive within national accounting. Thirdly we have to give a value to natural systems, natural capital and ecosystem services. We must value the services forests provide, for example: cleaning the air, regulating the water cycle, carbon sinks, biodiversity, livelihoods for the poor, etc. As long as we do not do this, there will be no future for biodiversity. We have to implement the polluter-based principle. It was established as an important pillar of policy making in 1972 at the first World Environment Conference in Stockholm. It is still not being respected in most countries. As long as you don't internalize pollution, how can alternative technology have a real chance?

We have to rethink traditional cost/benefit analysis. My Danish friend Bjørn Lomborg said: "Let's wait with climate change. We are richer in the future. It is going to be less expensive then." That is a very dangerous kind of thinking because climate is a non-linear system. There are tipping points out there which may turn the whole system upside down. We may well be much poorer in the future. We must rethink business models. As long as we only can earn more revenue by selling more volume we are doomed. That is why I think this idea with the telephone is quite illustrative as an indicator that we must go from selling products to services. That is just one example. We must also learn from nature. I urge the reader to visit a fascinating website [www.biomimicry.net](http://www.biomimicry.net), where Janine Benyus offers numerous examples whereby we can learn from nature how to do things in a way that is very little harmful to nature. I will give you one example: flame retardance, which is a very toxic material in textile, furniture, computers, etc. There are now natural products based on residual materials from citrus products. That is fascinating. Again, learn from nature!

I will close on two very important issues, one of which was addressed earlier today. We have to live up to the commitments we made in Cairo in 1994: Reproductive health! We are not supporting families. We are not supporting women around the world in this area. Family planning is a part of it, but only a part of it. We are too many people already. This little planet cannot take more pollution, more residual materials. We need a combination of new lifestyles, new technologies and curb population!

Lastly, of course, we need to reform global governance, but we have already talked about that.

# GALLERY

# PHOTO

UNESCO FUTURE FORUM  
THE GLOBAL FINANCIAL AND ECONOMIC CRISIS:  
WHAT IMPACT ON MULTILATERALISM AND UNESCO?  
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UNESCO Future Forum on The Global Financial and Economic Crisis: What Impact on Multilateralism and UNESCO?



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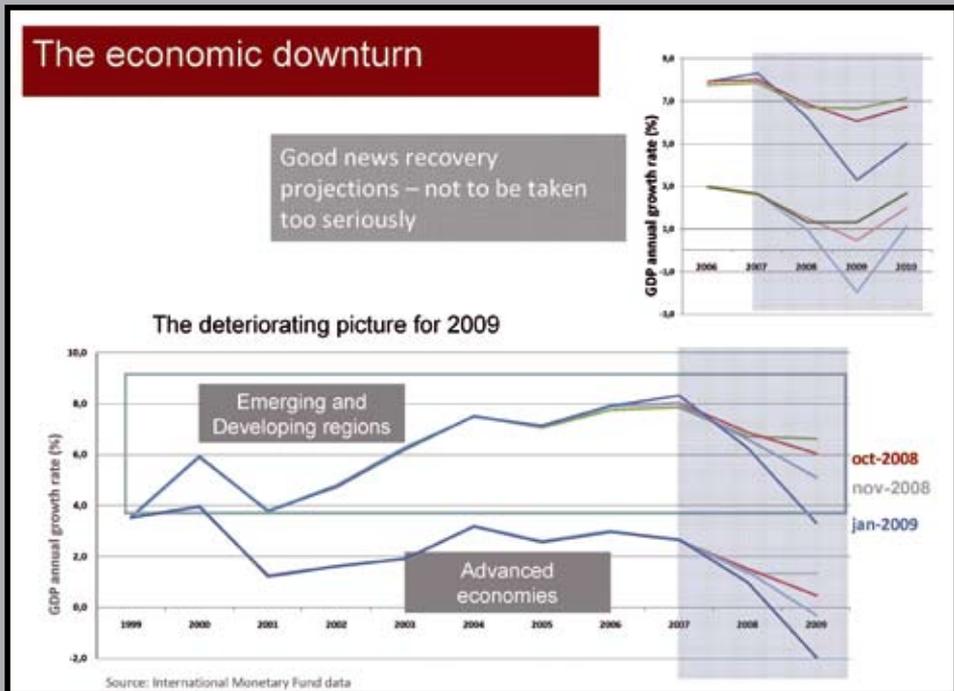


Hans d'Orville, Hilary French, José Goldemberg, Eric Glover, Yolanda Kakabadse and Anders Wijkman

# TABLES

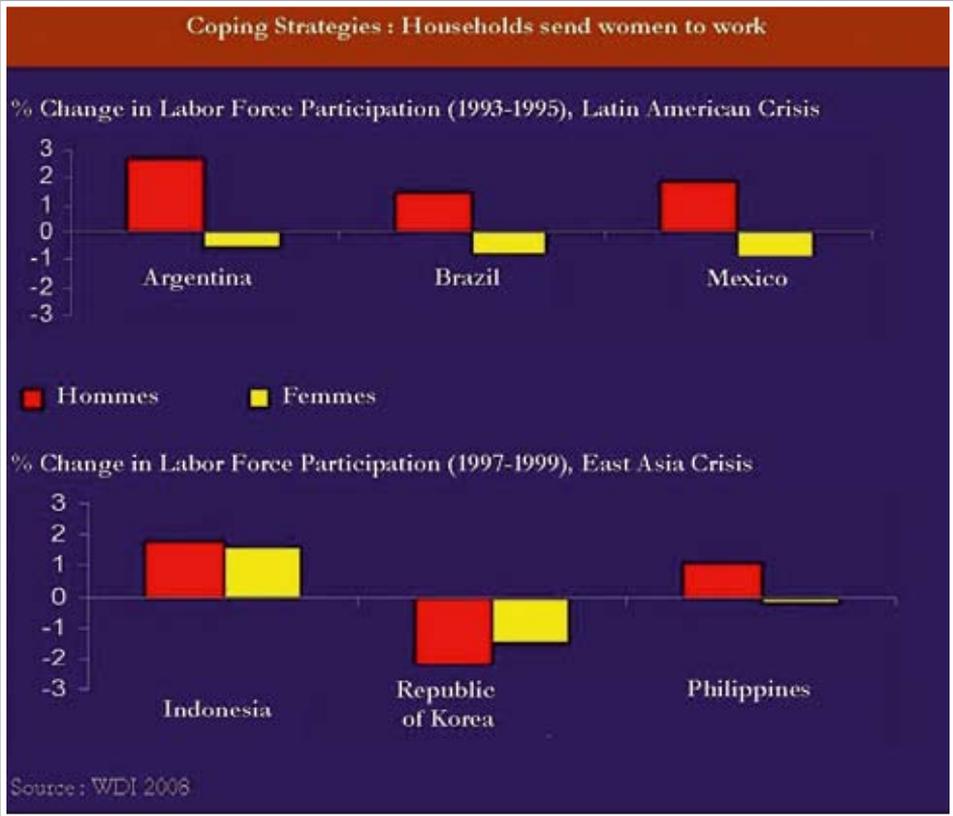
KEVIN WATKINS

THE ECONOMIC DOWNTURN

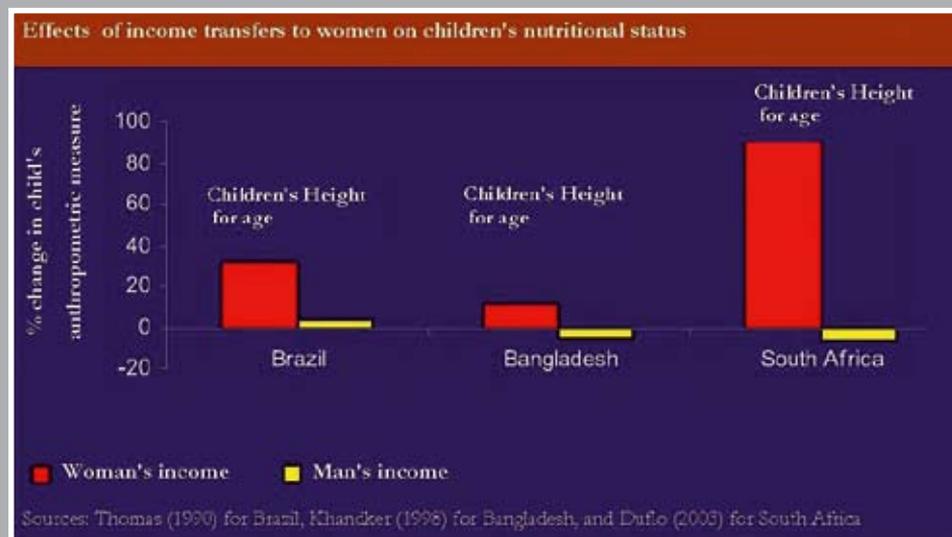


MAYRA BUVINIC

COPING STRATEGIES: HOUSEHOLDS SEND WOMEN TO WORK



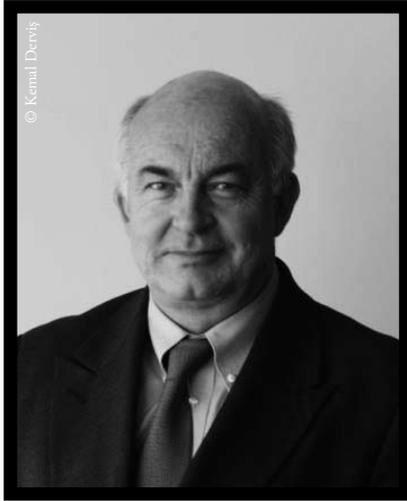
## EFFECTS OF INCOME TRANSFERS TO WOMEN ON CHILDREN'S NUTRITIONAL STATUS



## EFFECTS OF FEMALE BORROWING ON HOUSEHOLD WELFARE



II. UNESCO FUTURE  
LECTURE  
THE G-20 SUMMITS AND  
THE UN SYSTEM:  
PROSPECTS AND  
CHALLENGES



## **KEMAL DERVIŞ**

Kemal Derviş (Turkey) was UNDP Administrator and Chair of the UN Development Group (UNDG) from 2005 to 2009. Following his departure from UNDP, he served as advisor to UN Secretary-General Ban Ki-moon for the G-20 London Summit. Prior to his appointment with UNDP, Mr. Derviş was a member of the Turkish Parliament representing Istanbul from November 2002 to June 2005. From March 2001 to August 2002, Kemal Derviş was Minister for Economic Affairs and the Treasury, without party affiliation, of the Republic of Turkey. He was responsible for Turkey's recovery programme after the financial crisis that hit the country in February 2001. From 1973 to 1977 he was member of the economics faculties of the Middle East Technical University and then Princeton University. In 1977 he joined the World Bank where he worked until he returned to Turkey in 2001.

# LECTURE BY KEMAL DERVIŞ AND SUMMARY OF THE DEBATE

We are in the middle of a very interesting time. So your initiative to take the lessons of the past and then look into the future in a Future Lecture is excellent. It is something expected by all of us, by delegates, by countries, by civil society because last year we went through a period which has shaken many foundations and many beliefs. Everybody is wondering what the future has in store for the world as a whole and for the United Nations System in particular. In the speech he pronounced on 9 March 2009, Mr. Matsuura<sup>17</sup> affirmed how urgent it was to reaffirm the principles and practices of multilateralism – his will be one of the topics of my presentation – and he added that we must use this crisis to make the multilateral system more inclusive, more effective, and more coherent. These ideas stressed by Mr. Matsuura in his speech, inclusiveness, effectiveness and coherence are indeed, in my view, the main challenges but also the main solutions to our problems.

## THE MEDIUM TERM OUTLOOK

When we attend a Future Lecture, we expect predictions; but we have to be extremely careful about them. Many economists – a profession to which I am very happy to belong – made some rather dramatic mistakes, I would say, over the last few years, leading us into the 2008-2009 crisis. At the 2003 Presidential address for the *American Economic Association*, the President of the Association made the prediction that the business cycle was a thing of the past: there would be no more recessions and the real problems had to do with technology and long-term growth. Well, we are now back to what people rightly call Keynesian times and the business cycle, unfortunately, is very much with us. Others predicted problems, notably for the international system. For example, my dear friend Martin Wolf, who is a columnist at the *Financial Times*, accurately warned his readership, in a column of 2007 or even 2006, that the international financial system was in trouble, that there would be major problems; but at the end of his article, he said the big question was “would there be another major crisis in the emerging countries?”. Actually, as we all know now, the crisis, which is now global, started in the richest countries, not in the emerging markets.

Even myself, in an inaugural lecture in Mumbai for the EXIM Bank of India, I predicted that there would be a major crisis. But I had not foreseen that it would take very strong intervention into the very financial sector to try to solve it. I thought that traditional Keynesian macro-policies and fiscal policies would be enough to fix it – as had been the case in the past. I also did not realize how deeply the financial institutions themselves, the banks, the investment banks and

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17 See Mr. Matsuura's text in this volume.

the commercial banks had gotten themselves into such a de-capitalization and balance-sheet problem and that it would require such deep intervention into the financial system itself.

As the crisis has become a truly global crisis, it affected everybody – that is quite clear. There has not been a crisis of this nature in the post-war period. Admittedly, we had crises in the recent past: we had the Asian crisis; we had the Russian crisis; we had crises in Latin America countries; we had a crisis in my own country, in Turkey. But we did not have a crisis affecting the world economy as a whole, resulting in negative world GDP growth in this year 2009. That is really quite a unique phenomenon – the only time we had a crisis of that scale, was really in the 1930s – very few of us personally remember that. So in a way, we are in a once-in-a-lifetime special situation.

## THE CHANNELS THAT MADE THE CRISIS GLOBAL

Why has this become a worldwide crisis? Because many channels have worked to make it a worldwide crisis. Let me quickly go through a number of these channels.

I would call the first channel the financial asset channel, in other word, the toxic assets. This channel has, eventually, been rather limited. It has been strong of course in the US and in Europe, but, beyond the US and Europe, not many banking institutions had heavily invested in these toxic assets. While it precipitated the crisis in the US and Europe, this channel did not work very strongly globally.

But a second financial sector channel has worked strongly globally; I would call it the credit channel. What has happened? The toxic assets problem at the centre of the global economy's financial sector started a credit crunch that affected the whole world. Credit was restricted and particularly called back from developing countries to the centre by the banks that had been so strongly affected by the toxic assets channel. Financial flows to developing countries, which had reached close to US\$ 900 billion in 2007, are probably going to be below 200 and probably close to 100 – the prediction is US\$ 160 billion in 2009. This represents a decline of about US\$ 700 billion of private financial flows to developing countries, a huge hit for the world economy as a whole. So the second channel, the credit channel, has affected the whole world economy. It has affected export credit, for example, which has become much more difficult to obtain, investment credit and roll-over financing of the financial institutions and the corporate sector in the developing countries.

The third very important channel is trade, of course. World trade is projected to decline by 11% in 2009. Export demand collapsed worldwide. Some countries have faced collapse by the order of 40% in the demand for their exports. This channel is affecting the whole world economy. What is somewhat unexpected by most and also very worrisome is that the countries affected are

those that had been participating in globalization the most. The very export-oriented countries are severely hit by the trade channel, although not with the same strength everywhere. Countries whose exports are focused on Europe or the US are the worst hit. On the other hand, those exporting a lot to China and some parts of East Asia are not hit as hard.

There is another channel which is not global and not as important but nonetheless important for some countries: the remittances. Through this channel, the crisis has hit countries that are very dependent on remittances, such as countries in Central America or some countries in Africa. The tourism channel is another one to be considered. With tourists' travels going down, countries that are very dependent on the tourism sector are, likewise, hit the most.

## ONE GLOBAL CRISIS, DIFFERENT IMPACTS AND RESPONSES

The crisis is global in the sense that all those channels are at work. Therefore some have said that there is no decoupling. You remember that, at the very beginning of the crisis, some people were saying that the crisis would affect the US Europe, but that the emerging markets had decoupled and would pursue their growth. Many people were saying that the decoupling thesis was no longer valid, which was true in a way, because the crisis was global and had affected everybody: there is no decoupling if the word means "no effect worldwide". On the other hand, when we look at the very geography of growth we do see decoupling this year and probably the next. I would say that decoupling has happened, not in the sense that one part of the world would not be affected by the crisis, but in the sense that very differential impacts can be observed.

The most recent projections for growth in the rich countries are of the order of - 2 to 3%; for India, on the other hand, growth projections are close to 6%. Some of my Indian economist friends are confident that it will be above 6%, which is impressive in the middle of a world recession. As for China, most predictions converge towards 7% – Chinese policy-makers are still hoping for 8. If you put China and India together and average their growth, you have something close to 6.5 or 7% for these giant economies, with close to 2.5 billion people or even 3 billion people if you add some other Asian economies. Close to 3 billion people will thus grow around 6% at least in a contracting world economy. This is a very interesting and novel phenomenon, which in my view shows that there is decoupling in terms of growth dynamics.

Looking somewhat forward into the short or medium term future, in the 2010-2011 years, I think there is a competition in the rich economies between the on-going balance sheet deflation – in other words, the excessive leverage, the excessive debt in the household sector, in the corporate sector, in the financial sector, that has to be worn down or worked out – and the massive monetary and fiscal stimulus that the governments has been injecting into the economy. So the private sector is still contracting – and it has to contract because it is over-indebted – and has to work through this debt stock. To compensate the fall of private demand, public demand

is being injected in the economy in ways unprecedented in the Post War period. There has been a massive fiscal stimulus in the US and also Japan and in Europe, partly through automatic stabilizers, but also through more discretionary injections. At the same time, policy interest rates are between 0 and 1.5%. The US fiscal deficit is projected to be 13% of GDP – a huge figure. We do not know how high it will come out, but certainly way above 10%.

It will be very important for all those countries to reach a balance, because of two dangers. One danger, which has been emphasized by Paul Krugman in a recent column in the *New York Times and the Herald Tribune*<sup>18</sup>, is to repeat the mistake of the 1930s: as financial markets seem to recover a little bit, it may be tempting to declare that the crisis has been overcome and to withdraw quickly from the fiscal stimulus. As we know from the 1930s, that precipitated another wave of recession and depression. Right after the recovery, there was a downturn in 1937/1938 because the policy-makers thought that the crisis had been overcome. Such a danger exists and I think people are aware of it. There is an important debate about it. It is my opinion that it is way too early to claim that the main impact of the crisis in the rich countries is overcome and I also believe, as Paul Krugman and others, that fiscal stimulus must continue, that monetary policy must remain encouraging to economic activity and that interest rates to remain low. On the other hand, it is also true that fiscal sustainability issues do exist – it depends on countries: all do not have the same degrees of freedom, of course. At some point recovery will take stronger root: it will then be important, on the fiscal side, to start retrenching, and on the monetary side to pull back some of the liquidity injected into the system making sure that, in the medium term, this huge Keynesian fiscal and monetary expansionist policy does not generate inflationary pressures and, even worse than that, fiscal sustainability problems in the advanced countries.

For economic policy-makers, getting that balance right will surely represent one of the biggest challenges. As the information comes in, policy will have to adjust. There is no point in saying that we are going to do this or that in the next eighteen months and stick to it, because we do not know what the figures will tell us. A very flexible stance will be necessary to be ready to adjust, ready to move in response to the statistics coming from the real economy. At this point, the danger is still more on the deflation and recession side than on the other one. Clearly, one should not ignore it.

My next statement is something somewhat controversial – I am still getting used to being able to be controversial: when you are an official speaking in an official capacity, you always worry about your statements, while in a freer capacity, one can take greater risks. So my opinion is that inflation was probably too low in the world economy. As has been pointed out by other economists, if you have inflation down to between 1 and 2% and interest rates around 2 and 3%, you essentially disable monetary policy, because the most you can do with interest rates is to go from 3 to 1 or 0 – interest rates cannot go below 0. On the other hand, if you have 4 or 5% inflation and interest rates at 6 or 7%, you have much more leeway in terms of reducing interest rates. This argument

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18 See Paul Krugman, "Stay the course", *New York Times/International Herald Tribune*, 14 June 2009 (<http://www.nytimes.com/2009/06/15/opinion/15krugman.html?scp=2&csq=krugman+&st=nyt>).

should not be misinterpreted: I am not arguing in not in favour of high inflation. 2% is really the best inflation rate compared to 3.5 or 4. I think it worth the bet because you do want to have a monetary policy capable of stimulating the economy in the longer run.

This is, in my view, the medium term outlook. I do believe that the combination of strong fiscal and monetary stimulus in the rich countries, an active reorganization and restructuring of the financial sector and the growth dynamics in Asia, will probably get us over that crisis in the next 18 to 24 months. In that sense I am reasonably optimistic, provided rich economies avoid the mistake of retrenching too early from stimulus plans and Asian economies remain strong drivers of global growth.

## THE NATURAL RESOURCES, ENERGY AND CLIMATE CHALLENGES

Since this is called the "Future Lecture," I now want to move a little bit further to the future, beyond the next two or three years, and address the longer term constraints on the world development, beyond the macro balances that have been mismanaged and are now being re-established. I want to draw your attention to the rather extraordinary fact that in the middle of the biggest recession of the last sixty years, when world growth is negative, the oil price, which was always linked to buoyancy in world market, has again gone up – it fell a little, to US\$ 35 but has gone up to US\$ 70 and even 75. What does that signal? I do not think it signals excessive optimism about short term growth; but I think it does signal that in the longer term, the environmental resources and the climate constraints on growth are probably going to be very important. If anybody had said, five or six years ago, when the oil price was US\$ 25 or 30 in a booming world economy, that we were going to have a huge recession and the oil price would be at 70, nobody would have believed it.

Let me give you an example, which is partly a self-criticism. I was and am still a member of the group convened by the World Bank called the Growth and Development Commission, which recently issued its report<sup>19</sup>. This Commission was made up of policy-makers, from Chile, for example. We also had heads of State such as President Ernesto Zedillo of Mexico, the Chinese Central Bank governor; I was there partly for my role as economy Minister of Turkey. We had two Economics Nobel Memorial Prize laureates: Professor Spence, who was chairing the Commission, and Professor Solow, the father of growth theory. During the first meeting of the Commission, three or four years ago, our group discussed long-term growth: not one, including myself – *mea culpa* –, mentioned climate change. We were discussing the prospects of the world economy – and we did not discuss climate change.

This reflected the extreme division, at the time, between the mainstream economists' profession and the people working on climate and environment. Still, I should mention that at the end of our discussions, by the time we issued the report, climate change occupied a very

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19 See [http://www.growthcommission.org/index.php?option=com\\_content&task=view&cid=96&Itemid=169](http://www.growthcommission.org/index.php?option=com_content&task=view&cid=96&Itemid=169), 'The Growth Report (2008).

important part. The message implied here is that we can no longer divorce the analysis of long-term growth trends and prospect from environment, climate and natural resources-related matters. It can no longer be that the environmentalists deal with the environment on one side and the economists deal on the other side with macro-economic policy, investment and saving. These two sets of issues have to be brought together. It is my conviction that UNESCO is playing and can play a major role here because of its focus on science and scientific evidence and its capacity to link them into a broader picture, including human capital growth, notably through education.

Such a new integration is now happening in the analysis of the world, as is exemplified by Asia. We will have tremendous growth potential in the world, driven in a larger and larger extent, by Asia. In that perspective, one can be optimistic. Why Asia? (Asia chiefly means emerging Asia: Japan is part of Asia, of course, but it is such a mature economy that it is in a different category.) There are many reasons, but the bottom line is that China and India are, together, saving close to 40% of their GDP – with China saving much higher – and investing it. They are not, regarding their investment capacity that much dependant on foreign capital. They actually rely on their own savings. So there is a tremendous growth machine in Asia based on internal resources not on borrowing from abroad. There is some borrowing and some foreign capital, but the essential driver of that growth is internal and that machine is investing 40% of its GDP. I always point to my compatriots, who would like to have a sustainable Chinese or Indian growth rate, that Turkey is saving 17% of its GDP. So it has to borrow to increase its investments. The same is true for many Latin American countries. Emerging Asia has a very different dynamic. This will lead to rapid growth in the medium term. There will be a recovery in the rich countries – probably – with growth maybe in the order of 2 to 2.5% on average – I do not think it will reach 3%. Europe will probably be a bit slower than the US. Asia will be growing at 7. Once the world economy as a whole has overcome this crisis, it has the potential to growth close to 4% overall.

However, if you make long-term projections, a question arises: in a world economy growing by 4% over decades, can we manage natural resources, energy, and climate while keeping the same path as today, especially in terms of carbon emissions? The answer is no. So the real constraint to long-term growth will come from natural resources and climate unless we find the policies, the pricing and the approaches that will allow the world economy to shift growth from a carbon-intensive to a climate-friendly very low-carbon growth path. Once the crisis is over, a lot of our attention has to concentrate on these issues. The fact that the oil price is at US\$ 70 in the middle of this recession should be a signal that there is an energy problem. One somehow fears that if it is US\$ 70 or 75 today and growth starts to be rapid again two years from now, we will go back to US\$ 140 or 150. One has to wonder what it means for the energy sector, for energy importers, for developing countries, etc. I think that the oil price signals us that there is an area of challenge to be dealt with here.

## WHAT PROSPECTS FOR MULTILATERALISM?

Climate change has clear implications for multilateralism and for the UN System as a whole. The Secretary-General has very correctly and rightly focused on the climate issue as a long-term UN challenge and as an example of a global public good and of a global issue that can only be handled in a multilateral framework. The energy-climate nexus can in no way be solved country by country. This best exemplifies the nature of global public goods: they can only be tackled collectively. Climate change and carbon emissions have a very interesting characteristic even if you are a completely opposed to globalization: you could close your borders to trade because, in your opinion, this crisis has shown that export dependency can lead to economic trouble and decide to rely on your domestic market; you could completely close your borders to financial flows or migrations; but you cannot close your border to carbon emissions originating in other countries. Carbon emissions are the most global phenomenon. This is an extreme example, if you like, of global problems – such as health or trade –, which have to find a multilateral solution, that is inclusive of all major players and at the same time equitable. You do not need to go into too much detail to be convinced that this is a central issue for the long term future of the world and the future of growth. This topic truly fits into a Future Lecture.

When one handles this type of problems, there is obviously some need for a sort of global governance and cooperation. I was at the G-20 meeting with the Secretary-General both in November 2008 in Washington and this April in London. It was a impressive good new development. The G-8 was very restricted and did not at all reflect the forces in the world today and their actual economic balances; it excluded most – if not all the emerging market economies if you do not count Russia. In that sense, the G-20 was definitely a remarkable new forum: it was much more inclusive than the G-8. But it still did not include many countries. One must insist on that: despite its being an inclusive new start for multilateral governance, it still excludes 170 countries and particularly the poorest ones. So we should not take the G-20 as a solution to the overall governance challenge, even if we have to stress that it is a good start to have the big emerging markets around the table. The decisions that were taken were positive: a strong support to the emerging markets, new challenges, new tasks and new financial resources for the Bretton Woods Institutions, a role for the United Nations System in terms of monitoring social policies and vulnerability.

Another point has to be made. The lesson to be drawn from the G-20 meetings – or the G-8 and all “g” meetings – is that they are an impulse. They can make proposals but they cannot make decisions. The press often presents the G-20 Summit declarations as if major decisions have been taken when, in fact, they were only proposals. These proposals still have to go to two sets of institutions: first, the national institutions of countries, parliament, where national legislations are passed and the international institutions, particularly in this case the Bretton Woods Institutions and their governing boards. As we are seeing it now, this is not so easy. In many parliaments, especially in the U.S., some of the decisions are stuck. The U.S. Congress has still not approved the US\$ 100 billion special loan to the IMF that has been agreed on by the G-20 last April. I hope it will get through in the coming weeks. But it remains that two months

afterwards, it has not happened yet. The same goes for the boards of the IMF and the World Bank. Much of what the IMF and the World Bank have to do depend on their boards' decisions: only then can these impulses, those proposals from the G-20 be actually implemented.

It is important to stress that, while we should welcome G-20 type forums and other forums – there was one two days ago in Moscow for BRICs – as good ways to get people together, to get leaders to know each other, the actual global governance has to take place in the legally rooted existing international institutions – in the UN System essentially, if we count the World Bank and the IMF as part of the UN. If you really want to make progress with multilateralism and bring forward the new multilateralism that Mr. Matsuura called for last March, we have to remember that the G-20 type meetings – positive as they are – are only one part of the picture. They must be commended for bringing regularly India, Turkey, Brazil, South Africa, and all those countries, together with the rich countries. However, unless the international system is reformed with greater balance, a stronger say for the developing countries, a reform of the UN Security Council and of ECOSOC, an active Chief Executive Board (CEB) and of course a reform of the Bretton Woods Institutions, we will not have this new multilateralism. It would be a fantasy to think that just by enlarging the G-7 or G-8 to the G-20, we would have created a new multilateralism.

The new multilateralism has to happen in institutions such as UNESCO, UNDP, World Bank, IMF, and so on. What is more, it eventually has to be rooted in legally binding treaties. Here, I must draw attention to WTO, where international legality has advanced the most recently. Actually WTO is not formally part of the UN System but in practice is, because Pascal Lamy, one of the most passionate multilateralists and pro-UN leader, always attends the CEB meetings. So WTO is a *de facto* part of the UN System, although not from a strictly legal point of view. Despite the very slow progress of the Doha round and the many problems related to trade, there is nonetheless a body of laws, of binding international laws in the trade field. There is the dispute settlement mechanism, which even the richest and most powerful countries submit to. As a result, despite strong protectionist pressures, the legally binding framework of the WTO has contributed to the preservation of the multilateral system. It is not that there has been no movement towards protectionism, but it remains that, compared to the 1930s, the degree of protectionism backlash has been very limited, as was recently noted by the Financial Times. Trade is not without problems and much progress remains to be made – the Doha development round has to be completed, for example. But when we compare the WTO's legally binding mechanisms to the total informality of the G8's approach to multilateral governance, we have to realise that real governance reform and real progress of international law as part of that governance reform is the only way to build the new multilateralism.

## INTERNATIONALIZING POLITICS

I want to conclude by saying something that is no longer original at all, but which remains completely true: this crisis has shaken us, predictions dismissing the business cycle have been proven wrong, and we should use it as a wake up call. We should use it to build a new

multilateralism, as Mr. Matsuura said in his March speech. Efforts are on the way, which the UN System has to lead. Civil society has to support it, because we cannot just have a bureaucratic mechanism. In order to succeed in building this new multilateralism, we also need a political space of an international nature. As long as everything comes back to national reflexes and politics, it is very hard to get the support from the national political systems to build this framework of international law.

My last point is going to be very futuristic: to build a new multilateralism the world will have to find some ways to internationalize politics to some degree. Political leaders will have to be more international figures. It will be necessary to build political movements and stronger political links across borders and to draw people into an international political debate to support that new multilateralism. If the debates get entirely channelled through purely national politics, things will be very difficult. As Tip O'Neill, a famous American politician, said, "All politics is local." But in the world of the 21st Century, where the big issues are global – financial sector, regulation problems, trade problems, disease control, nuclear proliferation, energy, climate – if all politics remain local, we will have problems to relate those international issues to the citizens' concerns. Unfortunately I do not have an answer to this problem, not even an uneasy one. I truly believe that throughout the 21 Century we will have mechanisms of this sort, but we are still very far from them. It will probably be one of the major challenges of the next generation.

## SUMMARY OF THE DEBATE

The first questions from the room focused on the responses to the environmental crisis and the feasibility of a world environment organization. Mr. Derviş first noted that climate change had been an opportunity to bring science closer to economics. He said that he was not in favor of creating new institutions when other ones with a related mandate were available for reform, like, in this case, UNEP. In his opinion, the December discussions in Copenhagen would be tough because the finance side of climate change had long been neglected. It would be good enough if the negotiations resulted in efficient financial and burden sharing mechanisms. In his view, the real challenge of the coming years would be to combine the response to the climate crisis and the management of natural resources with an accelerating productivity likely to increase the ecological pressures on the planet.

Asked about the food crisis, Mr. Derviş said he was relatively optimistic about the outcomes of this major priority. Solutions would come from enhanced trade policies, with less or none of the market distortions created by the rich countries' subsidies to their agricultural industries.

The Chief Executive Board (CEB) and the UNDG were the object of another question. They have evolved, Mr. Derviş noted, towards a better integration of the diverse UN actors. He added that the action of the UN was about capacity building, thus giving the tools for countries to operate on their own.

Mr. Derviş was inquired about measurements of wealth. He recalled that the UNDP was a pioneer in inclusive approaches of wealth that do not equate human progress with growth and markets.

Mr. Derviş answered a question on the current situation in Africa. After decades of slow progress, the continent had just experienced a period of accelerated growth. This actually made the global financial and economic crisis worrisome: it could jeopardize the successes of the past decade. Nonetheless, reasons exist to be hopeful, not the least because a new breed of leaders had emerged, who were pragmatic, flexible and result-oriented. Despite major injustices in history, Africa was looking into the future in a very positive way.

Another question revolved around the prospects of exporting countries. Mr. Derviş responded that, in the current crisis, where you export was very important: things would be more difficult for countries exporting to Europe or North America than for those exporting to China or India. In his opinion, countries had to get organized in a regional way, especially the poorest and smallest ones. If Germany or France agreed that they need a common currency to face globalization, this had to be even truer for developed countries. Recalling that regional cooperation was a part of multilateral cooperation, he stressed that multilateral mechanisms were always more favourable to smaller countries than bilateral agreements where they could be pitted against very powerful countries.

Some people in the audience questioned the fact that important amounts of public money went into the banking system. According to Mr. Derviş, their concern pertained to one of the most difficult issues in the crisis. Nonetheless, he explained, the banks received a lot of attention from the political authorities, because in a bank crisis the money that gets lost was, in the end, the savings of their clients who, by the millions, were citizens. Their savings must be protected – which did not mean that the bankers should be exonerated. Nationalizing of the banks can be an efficient solution, but it was met with political and ideological resistances.

To a question about the Vulnerability Fund proposed by R. Zoellick, Head of the World Bank, to help the poorest countries out of the crisis, Mr. Derviş answered that it had not been a priority at the G-20 Summit, because, on the one hand, the idea of such a Fund was dwarfed by the amounts of liquidities pledged to the IMF with a view to assisting emerging economies, and because, on the other hand, the poorest countries, which would have benefited from the Funds, were not present.

Finally, asked about the prioritizations of public investment, Mr. Derviş regretted that worldwide military spending still disproportionately exceeded Official Development Assistance contributions.

# THE FORESIGHT SECTION OF UNESCO

Keeping an eye on tomorrow is one of the guiding principles of UNESCO, where the foresight function plays an essential part in identifying possible futures and exploring new paths for action in all its fields of competence. Serving as a laboratory of ideas, UNESCO is called to tackle today's challenges and prepare for those of tomorrow, as well. Anticipation and foresight are interdisciplinary activities aiming at enriching the international public debates.

The Foresight Section within the Bureau of Strategic Planning of UNESCO is implemented through a dedicated intersectoral platform. Its purpose is to sensitize members of the global UNESCO Secretariat and the Organisation's Sectors as a whole as well as Member States about foreseeable evolutions and future trends in education, the natural sciences, the social and human sciences, culture and information and communication. The Foresight Section aims at bringing to bear intellectual perspectives, contributions and support to the Organisation's reflection, programming and action. Moreover, it supports Member States in developing their own capacities and approaches in the field of foresight.

In order to foster the reflection on key future-oriented issues in the domains of the Organization, the Foresight Section of UNESCO organizes a diversified range of events at UNESCO Headquarters in Paris and at locations in various regions of the world. These events are conceived as a contribution to global debates on some of the key challenges of our time:

- The UNESCO Future Forum series brings together leading scientists, intellectuals, artists and decision-makers from all parts of the world in a spirit of forward-looking interdisciplinary inquiry.
- The UNESCO Future Lectures cycle offers world renowned personalities to share their views with an audience including representatives of the Member States, the Secretariat, intellectual and scientific communities, the media and the public at large.
- The UNESCO Future Seminars gather high-level experts on select strategic and technical issues.
- UNESCO's Foresight Section has also a column in the UNESCO Courier addressing topics of interest to the general public and Member States. It seeks to stimulate reflection about programmes.

The results and recommendations of Foresight activities are disseminated through publications and a dedicated UNESCO portal website and through networks and partners in the field of future-oriented thinking.

“The events and decisions covered by this book may date back to early 2009, but they obviously retain their relevance for the development and implementation of policies. [...]The global crisis requires us to rebuild the economy differently, it requires us to build societies differently, and throw together the foundations of a new humanism for the twenty-first century.”

**Irina Bokova,**

Director-General of UNESCO



United Nations  
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For further information about UNESCO's Foresight activities, please consult :  
[www.unesco.org/en/foresight](http://www.unesco.org/en/foresight)

