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**REGIONAL AND GLOBAL PRIORITIES: THE FINANCIAL CRISIS, FOOD SECURITY AND
CLIMATE CHANGE****Summary**

This document presents an analysis of the impact of three ongoing crises, namely, the financial crisis, the food crisis and climate change.

As the economies of the ESCWA region converge at an accelerating pace with the global economy, they are all the more affected by the economies. These economies, especially those of the Gulf Cooperation Council (GCC) which are the most open to the global economy, have not been immune to the impact of the global financial crisis. On the contrary, the GCC countries have been directly affected by the decline in the global demand for oil, in late 2008 and early 2009, and the consequent sharp drop in the price of crude, with both the banking and finance sectors having felt the impact. The exodus of speculative capital from some of the region's markets, also in late 2008 and early 2009, has led to a liquidity crisis and contributed to the rising cost of borrowing. In addition, the global financial crisis resulted in a decline of some 21 per cent in foreign direct investment (FDI) flows to the countries of the region in 2008, and this decline is expected to continue throughout 2009. Moreover, for the more diversified economies (MDEs), one of the most significant repercussions of the current crisis is the slowdown in their exports to the developed countries, especially those of the European Union.

The current food crisis can be traced back mainly to the rise in food prices on world markets, to the sharp spike in energy prices and to the fact that some of the major food exporters converted productive land to the production of biofuels. The fact that the countries of the ESCWA region import more than 50 per cent of their food needs has made them even more vulnerable to the food crisis and harder hit by its repercussions.

Scientists predict that the impact of climate change on the ESCWA region will be out of all proportion to its historical contribution to global warming, considered to be the lowest of any region. Indeed, up to the year 2004, the ESCWA region's share of total global emissions was no more than three to five per cent. Climate change will however have a decisive impact on the region's scarce resources and hence on human development.

Member countries are requested to discuss and comment on this document and to make proposals as they see fit.

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I. THE FINANCIAL CRISIS

A. IMPACT OF THE FINANCIAL CRISIS ON THE ECONOMIES OF ESCWA MEMBER COUNTRIES.

1. Given the rapid pace at which the economies of the ESCWA region are converging with the global economy, they are increasingly affected by the economies of the developed countries. These economies, especially those of the Gulf Cooperation Council (GCC) most open to the global economy, have not been immune to the impact of the global financial crisis. This document reviews the main repercussions of the global financial crisis on the countries of the ESCWA region and the most important measures Governments have taken with a view to reducing its negative impact. It also outlines the main recommendations made at the “Regional High-Level Consultative Forum on the Impact of the International Financial Crisis on the ESCWA Member Countries: the Way Forward” organized by ESCWA in Damascus on 5-7 May 2009.
2. The GCC countries have been the most affected by the slowdown in the global demand for oil and the subsequent sharp fall in the price of crude oil in late 2008 in early 2009, and it is expected that these events will erode their trade and current account surpluses. Estimates point to a current account surplus for the GCC countries of around \$400 billion in 2008 whereas in 2009 what is now a current account deficit is expected to reach \$30 billion. Against this, some ESCWA member countries, such as Jordan and Lebanon, have benefited from the fall in oil prices as a result of the decline in the cost of their imports.
3. Likewise, the banking and financial sectors of the GCC countries staggered noticeably in late 2008 and early 2009 as the exodus of speculative capital from some of the region’s markets brought on a liquidity crisis and pushed up the cost of borrowing. Most financial institutions in the region, however, remain solvent and the ratio of non-performing loans is less than 5 per cent.
4. Financial markets in the region saw a record drop as the market value of stock exchanges fell by around US\$ 368 billion in 2008. Moreover, a number of sovereign wealth funds have sustained substantial losses, especially in the US and European markets, whereby the investment portfolios of the Abu Dhabi and Qatar sovereign funds are estimated to have lost around 40 per cent of their value each, due to the decline in value of their security holdings.
5. In another development, the global financial crisis led in 2008 to a 21 per-cent falloff in foreign direct investment (FDI) in the region. This downturn is expected to persist throughout 2009 due to diminished returns on investment in the oil sector caused by the drop in the price of crude and the reduced investment capacity of multinational companies under tighter credit conditions.
6. One of the major repercussions of the current crisis on the more diversified economies (MDEs) of the ESCWA region is the slowdown in their exports to the developed countries, especially the European Union. European markets constitute for several of these countries the main export destination (around 50 per cent of total exports in 2007). No doubt the entry of the EU countries into recession will reduce the value of exports of MDEs in the ESCWA region.
7. It is expected that labour-exporting countries, such as Jordan, Saudi Arabia, the Sudan, Egypt and Yemen, will suffer from a marked fall in migrant workers’ remittances, especially from European and GCC countries. Among the countries most affected by this slow down are Jordan and Lebanon whose economies rely heavily on these remittances. Should the current crisis last long, it is probable that a portion of migrant workers will return from abroad to their home countries thus exacerbating the unemployment problem, increasing poverty levels and threatening the economic gains that the ESCWA region has been able to make over the last eight years.
8. The persistence and worsening of the global financial crisis in the developed countries could eventually limit their ability to sustain the level of foreign aid commitments that developing countries, including a number of MDEs in the ESCWA region, have been benefiting from.

9. As a result of all these developments, economic growth in the GCC countries is expected to decline to around one per cent in 2009 after reaching nearly six per cent in 2008. It is also expected that the overall rate of economic growth of the MDEs in the ESCWA region, after reaching around seven per cent in 2008, will drop to four per cent in 2009.

B. MEASURES THAT ESCWA MEMBER COUNTRIES HAVE TAKEN TO ADDRESS THE FINANCIAL CRISIS

10. Several ESCWA member countries have endeavored to stimulate local demand and to prevent an economic slowdown by taking a host of measures, including the following:

(a) Pursuing expansionary fiscal policies and taking appropriate monetary measures to provide the liquidity needed by the private sector and limit financial market losses. In October 2008, the Government of the United Arab Emirates offered the banking sector credit facilities amounting to AED 50 billion and provided banks in the United Arab Emirates with USD 70 billion in Government deposits. In addition, the Saudi Arabian Monetary Agency lowered its reserve requirements on deposits from 13 per cent to seven per cent. In October 2008, the Central Bank of Bahrain lowered the interest rate on one-week deposits to 25 basis points, and raised the value of deposit guarantees from BHD 15,000 to BHD 20,000 in order to bolster confidence in the banking sector. Likewise the Central Bank of Kuwait pumped USD 1.89 billion into local banks and the Central Bank of Egypt announced that it would guarantee all bank deposits. In the last six months, the Central Bank of Jordan has reduced interest rates three times and reserve requirements twice;

(b) Increasing public spending on investment projects, especially in infrastructure. Saudi Arabia announced a development spending plan of around \$400 billion over the next five years. The Egyptian Government announced its intent to increase government spending by around EGP 30 billion in 2009 in order to support all economic sectors in addressing the repercussions of the financial crisis. In Oman, Government spending is expected to increase by around 11 per cent this year compared with 2008;

(c) Easing administrative formalities and creating a suitable legislative framework to create incentives for foreign direct investment and to stimulate the private sector, especially small and medium-sized enterprises (SMEs).

C. ESCWA'S ROLE IN ASSISTING MEMBER COUNTRIES TO ADDRESS THE REPERCUSSIONS OF THE FINANCIAL CRISIS

11. Deeming the global financial crisis and its impact on member countries to be of utmost importance, ESCWA has undertaken a set of studies about the effects of the global financial crisis on different economic sectors in the countries of the region. It is currently engaged, in cooperation with the International Labour Organization (ILO), in preparing a detailed report on ways of addressing the financial crisis in this region. It is also participating, together with the other United Nations regional commissions, in the preparation of a report on the effects the crisis in various parts of the world.

12. On 5-7 May 2009, ESCWA organized in Damascus, in cooperation with ILO, the "High-Level Regional Consultative Forum on the Impact of the International Financial Crisis on the ESCWA Member Countries: the Way Forward". Through this Forum, ESCWA endeavored to assess the effects of the financial crisis on member country economies and to identify priority steps for addressing these effects. The Forum also aimed to bring about a convergence of views and a consensus among member countries so that they could present a unified position at the United Nations Conference on the World Financial and Economic Crisis and its Impact on Development, to be held in New York on 24-26 June 2009.

13. Thirteen ESCWA member countries participated in the Forum along with some regional and international organizations and a large number of economic experts in the ESCWA region, notably specialists in trade, financial markets, banking and employment.

14. At the end of the Forum, the attendees issued the "Damascus Declaration on Responding to the International Financial Crisis in the ESCWA Region" which contained recommendations for most

effectively countering the effects of the crisis. The text of the Declaration can be found in the Annex to this document.

II. FOOD SECURITY

A. WHY A FOOD CRISIS?

15. When analyzing the effects of the current crisis on each region of the world, one should identify the linkages between the financial, fuel and food crises.

16. In the wake of globalization and the strong economic linkages between countries, the repercussions of the crises also take on a global dimension. Hence they will lead to the creation of more crises and destroy the achievements made towards the eradication of poverty, further weakening the ability to respond to the crises and undermine stability. The global food crisis which reached its peak in 2008 with the sharp spike in the price of such basic commodities as wheat and other grains, is in large part linked to the increase in fuel prices and to speculation in international commodity markets, aggravating in turn the financial crisis which has today become the global economic crisis.

17. The current food crisis can largely be traced back to the rising price of foodstuffs on world markets, the sharp hike in energy prices and the fact that some of the major exporters turned productive land over to the production of biofuels. Since the countries of the ESCWA region import more than 50 per cent of their food needs, their exposure to the food crisis and its serious ramifications has been all the greater. The worsening situation in the region was first complicated by low levels of investment in the agricultural sector and inefficient land and water use. These had in turn a negative effect on agricultural productivity. Macroeconomic policies and restrictive trade practices then came along and, rather than reducing the severity of the food crisis, actually added to the difficulty of addressing it.

18. In the light of this situation, the poor, especially the rural poor, have been the most vulnerable to the effects of the food crisis. This crisis, which has been exacerbated by the global financial crisis, has caused many of the poor to fall below the official poverty line. The financial crisis has limited the credits earmarked for productive investment in agriculture, especially in relation to small farmers. Moreover, climate change has increased the frequency and duration of droughts, thus negatively affecting production from arid land and increasing the severity of the food crisis.

19. As the financial crisis has turned into a world recession, inflationary expectations have reversed with inflation starting to slow down in many countries. Likewise oil and fertilizer prices have dropped. In the last few months, demand for grain has fallen due to the recession-induced slump in global demand for wheat. The world financial crisis thus threatens to cause a further deterioration in the world food situation.

20. Despite the sharp decline in grain prices on world markets in the last quarter of 2008, these prices remained much higher than they had been before the onset of the crisis in mid-2007. Despite the similar sharp drop in oil and fertilizer prices in recent months, international markets continue to be volatile. Any increase in raw materials prices could directly affect production costs. Likewise, a fall in the price of products could weaken the enthusiasm of producers and thus have a negative effect on future production. Regrettably, difficult economic conditions could lead in turn to a decline in the agricultural investment that is so important at this stage, especially as this sector does not enjoy sufficient support in the economic revival plans which many Governments are adopting.

21. If the growing commodity and food shortages continue even as fuel prices start to rise, the damaging effects on international commodity prices could be even more severe and destabilizing in the future.

B. IMPACT OF THE FOOD CRISIS ON ESCWA MEMBER COUNTRIES

22. In the ESCWA region, countries have been hit hard by the global food crisis due to their dependence on imports for between 50 and 100% of their food needs. Net food imports represent between five and 10 per cent of total imports in the ESCWA region, wheat being the most popular grain in the Middle East. The Gulf

countries import 100 per cent of their basic food needs, though their economies can count on the cash surpluses ensured by the oil sector. The non-oil-exporting countries of the region, however, face serious financial challenges, in addition to people's complaints about high prices. At the national level, this situation has led to urban protests and exacerbated poverty. For this reason, the crisis may cause economic wars in the region. Farmers have resorted to illegal crops after alternative crops failed to provide a sufficient income stream.

23. The countries most vulnerable to food price volatility are those, such as Iraq, Palestine and Yemen, with relatively high levels of poverty and those, such as Jordan and Lebanon, which import high quantities of food and fuel. In all countries, the groups most damaged are the urban poor, rural dispossessed and marginalized farmers and these groups should therefore be singled out for aid.

24. The latest surveys of families in Egypt and Yemen indicate that for two-fifths of the poorest households food purchases consume more than 50 per cent of the family budget, raising implications not only for overall poverty rates but also for malnutrition and children's health since families faced with higher food prices typically reduce their calorie intake.

25. The demonstrations and political protests that have recently taken place in Egypt and Yemen and the heightened tensions among migrant workers in parts of the Gulf are evidence that high food prices could have widespread political repercussions liable to cause political destabilization in a region that basically lives in a state of conflict.

26. At the same time, soaring food prices and the pegging of currencies to the US dollar have led to higher annual inflation rates in most of the Gulf countries.

27. The food crisis has also had a major impact on the budgets of a number of Western Asian countries, especially the non-oil-producing countries since several of them subsidize many fuel and foodstuffs. Decision-makers are facing a major challenge in terms of short-term measures. These measures, which aim to mitigate the severity of the crisis, could be unsustainable or have negative implications that are detrimental to the overall economy in the long term.

C. ACTIONS BY MEMBER COUNTRIES TO ADDRESS THIS CRISIS

28. The policies that countries are pursuing in order to address the crisis cover all economic sectors. They have included, for example, expanding the scope of subsidy programmes, price controls and export curbs, and reducing taxes on foodstuffs. Countries have also put in place a number of important social protection programmes. For example, Jordan, Saudi Arabia and Palestine have recently augmented school meal programmes or introduced such programmes where they were not previously offered. These programmes have demonstrated their benefits in stemming the food crisis in that they not only contribute to improving the nutrition and health of pupils, but also raise school attendance rates and reduce child labor. Despite these efforts, however, there remains an urgent need to create social welfare programmes for the relevant groups.

29. In April 2008, under the auspices of the Arab Organization for Agricultural Development, the Arab countries issued the "Riyadh Declaration to Enhance Arab Cooperation to Face World Food Crises" which affirmed their commitment to support efforts to address the current food crisis. The Declaration called for sound plans for trade and investment to enhance food security in the short and long terms by taking a number of measures, including the promotion of public-and private partnership and fostering Arab agricultural trade.

13. The Arab countries, acknowledging the need to organize the use of agricultural crops in the production of biofuels, have called for the development of environmentally-sustainable technologies for using agricultural by-products and waste as alternative sources of fuel production.

31. Given the major obstacles to efforts to increase local agricultural production in the region, South-South cooperation stands out as a key strategy for enhancing food security in the long term.

32. The Gulf countries, which rely the most on food imports, have started building partnerships and making investments in the agricultural sectors of other Arab countries, Central Asia and Africa, where water is available and the soil is fertile, but where there is also a need for technical and financial support to mobilize these agricultural areas. The food security plan devised by the United Arab Emirates, for example, includes the development of more than 700,000 hectares of agricultural land in the Sudan in order to help it stabilize food supplies and prices. In a similar move, Qatar, Kuwait and Saudi Arabia are seeking to invest in several countries, including Pakistan, Cambodia and Mozambique.

33. The benefits of this South-South cooperation should be mutual: opportunities for technology transfer and agricultural productivity improvements in the partner countries, on the one hand, and enhanced food security in the Gulf countries, on the other. However, in order for these benefits to be mutual, the potential risks stemming from these investments and their social effects should be taken into account.

34. Mention should also be made of the region's efforts to address the global food crisis through its financial contributions to food relief for the victims of hunger in emergency situations. The Islamic Development Bank has recently donated USD 1.5 billion for such relief operations, and Saudi Arabia has donated USD 500 million to the World Food Programme.

35. The current food crisis can be seen as a "wake-up call" to institutions and Governments, prompting them to reassess the policies and strategies they have adopted in the past and the systematic factors that contribute to perpetuating this crisis.

D. ESCWA'S ROLE IN ASSISTING MEMBER COUNTRIES TO ADDRESS THE RAMIFICATIONS OF THE CRISIS

36. With its move away from meeting the direct emergency needs of individuals to addressing the issue of long-term food security in the region, ESCWA is working towards cooperation with member countries in order to achieve coherence and integration between food security policies, trade policies and development in both rural and urban areas. Initiatives must be prepared which aim to achieve long-term food security in the framework of integrated and sustainable development policies, taking into account structural concerns and encouraging investment in improving both agricultural production and agricultural productivity. There should also be gradually introduced into these initiatives certain key elements, namely, the social dimension that would cover, for example, gender aspects, and the needs of vulnerable groups.

37. In addressing the challenges posed by the global food crisis, ESCWA can work with member countries and United Nations agencies in many areas, including knowledge-sharing at the regional level, building partnerships for technology transfer and facilitating the funding of development purposes.

38. During the twelfth meeting of the Regional Coordination Mechanism (RCM) called by ESCWA and held in Beirut last September, United Nations agencies working in the region, the World Bank and the League of Arab States agreed to establish a thematic team on food security which would address the current food crisis in a cohesive way and promote long-term food security.

39. ESCWA is also working towards formulating a comprehensive framework for supporting the Arab countries as they endeavour to achieve long-term food security, focusing on trade and investment, regional integration, rights-centred development, improving production and consumption patterns and encouraging statistical data and monitoring.

40. In addition to the foregoing, it may, be possible to offer direct support for capacity-building in member countries around the issues of food security and the right to food, subject to demand.

III. CLIMATE CHANGE

A. THE POTENTIAL IMPACT OF CLIMATE CHANGE ON THE WATER RESOURCES SECTOR

41. Although the ESCWA region is considered historically to have contributed the least to global warming, scientists estimate that the impact of climate change will be out of all proportion to the ESCWA region's part in causing that change. The aggregate share of this region in global emissions in 2004 was no more than three or four per cent. The impact of climate change will primarily be reflected in water scarcity in the ESCWA region and hence will have implications for human development.

42. Among the social, economic and environmental effects of climate change and the weak points in its regard, foremost is the impact on the quantity and quality of the water supplies so critical to the life of the region's peoples and economy. The effects of climate change on water resources may extend broadly to social, economic and environmental sectors, covering agriculture, health and public safety (for example, the Gonu Cyclone Flood in Oman), biological diversity, the desalination industry, tourism, hydroelectric energy production and river navigation (as is the case in Egypt).

43. Theoretically, these effects can be traced back to the following: global warming; declining soil humidity; increased evaporation and exudation; shifts in rainfall patterns, in terms of both secular and geographic distribution; sharp annual and seasonal weather fluctuations; the frequency of drought and desertification, shrinking snow cover on high ground (such as the mountainous regions of the Syrian Arab Republic and Lebanon and, to a lesser extent, Iraq); and the potential effects of rising sea levels in the future and salt water infiltration of freshwater aquifers near the coast. It is also expected that climate change will have a negative impact on water quality through the pollution of surface water and the infiltration of sea water into groundwater reservoirs. There is no doubt but what the expected changes will affect social, economic and environmental services that directly or indirectly depend on these variables. These effects will hit the ESCWA region hard and are likely to be felt most strongly by such vulnerable groups as women, the elderly, children, the poor and the marginalized.

44. The effects of climate change on the water sector will lead to an undermining of national development plans, jeopardize human security and livelihoods and trigger vast population movements and migration (known as "environmental migration"). The situation may be further complicated by the heavy dependence of the region on freshwater flowing from source countries outside the region. Water scarcity may therefore be the cause of international conflicts, between countries that share water resources within the ESCWA region and also between these countries and other regions.

B. A VISION FOR ADAPTING THE WATER SECTOR TO ACCOMMODATE CLIMATE CHANGE IN THE ESCWA REGION

45. Adapting the water sector to accommodate climate change calls first of all for an accurate knowledge of the water sector factors that will be affected by climate change and the extent of that impact. Therefore, any vision for adapting this sector must be preceded by an assessment of the degree to which it will be affected by climate change and how soon. Theoretically, strategies for adapting the water sector in the ESCWA region should be prepared in the following way:

(a) Assessment of the extent of the risks from climate change;

(b) Formulation of a strategy to adapt the water resources sector to accommodate climate change. Formulating a strategy requires that water resource managers distinguish between two kinds of adaptation: facilitation and implementation. Facilitation covers activities that strengthen the capacity of the water resources sector to adapt (education, capacity-building, improving the institutional structure and sound administration), thus bringing about the conditions needed for implementing adaptive measures. Implementation refers to activities that offer actual assistance in mitigating or avoiding the damaging effects of climate change on the water sector;

(c) Incorporation in integrated water resource management (IWRM) plans of measures aimed at adapting the water sector to accommodate the effects of climate change, taking into account in such adaptive strategies the following priorities: (1) reducing the exposure of people and societies to the risks of shifting

directions in the water sphere, increasing climate fluctuation and extreme weather conditions; (2) protecting and reclaiming the ecosystem in terms of land, water and services that play a vital role; and (3) closing the water supply-demand gap by taking measures to reduce demand.

C. CLIMATE CHANGE CHALLENGES FACING THE ESCWA REGION

46. Water resource managers in the ESCWA region face a set of challenges arising from climate change of which the most important can be summarized as follows:

(a) Most water resource managers in ESCWA member countries are influenced by a water resource management culture based on short-term fluctuations. The introduction of elements of uncertainty in water resource management in the region due to climate change represents an unprecedented challenge for water resource managers;

(b) Water resource managers have to grapple with adaptation as a precautionary measure confined to limiting the impact of climate change on the water sector. Given the severe water shortages in the ESCWA region today, improving water resource management has become critical, as has improving working strategies that are constantly changing due to climate change. The main challenge lies not in finding new methods but rather in incorporating in sustainable development and IWRM policies adaptive measures capable of succeeding;

(c) Providing additional water supplies to match growing demand and reducing the severity of droughts may involve augmenting investment in the energy used in the desalination process, for pumping stations that move water from one reservoir to another and in treating wastewater for reuse. Such measures frequently increase the consumption of fossil fuels and hence greenhouse gases emissions which hamper in turn national measures to mitigate the impact of climate change. Water resource managers must, out of concern for reducing greenhouse gas emissions, take care that the adaptive measures they implement do not themselves have an impact. The main challenge in this respect lies in linking adaptive measures to the mitigation currently being undertaken apart from the adaptation at all levels of water resource management in the region;

(d) The dearth (and sometimes total absence) of research and information on the vulnerability of societies and ecosystems to the effects of global warming in the ESCWA member countries is an obstacle to efforts aimed at formulating adaptive strategies in the water sector. The main challenge in this regard may be to improve national capacity in formulating effective adaptive strategies for prevention and treatment, by carrying out research to assess the vulnerability of the water sector to the risks of climate change, and by improving databases on extreme weather conditions, their frequency and impact, and how to counter them;

(e) The implementation of adaptive strategies to deal with climate change in the framework of strategic water resource plans at the national level is a process involving many specializations. It calls for interaction and horizontal coordination between government bodies at many levels, for partnering with the parties concerned, including civil society, the business sector and the public. The challenge for water resource managers in this regard may be to achieve a high degree of coordination between the sectors and parties concerned with water resources.

IV. SUMMARY

47. The world is currently witnessing fateful crises whose ramifications and the urgent issues and challenges arising from them call for greater attention. Despite the fact that the least developed countries and those with modest incomes did not contribute to the onset of these global crises, they remain the most damaged by them. It is worth noting however that the adverse outcomes stemming from these crises will afflict rich and poor countries alike.

48. In this regard, the role of ESCWA consists in the following: helping member countries to generate ways of adapting to these crises and to counter them in order to limit their negative impact, especially on those population groups that suffer primarily from poverty, disadvantage and marginalization; working to

build member countries' capacity and to help them to take the measures and steps needed to address the crises more effectively; enhancing the ability of the countries of the region to counter these crises jointly by strengthening regional integration; encouraging the exchange of expertise, information and technology; and creating mechanisms for improving cooperation and coordination and facilitating the formulation and implementation of action plans and strategies at the national and regional levels.

49. There is no doubt that these three crises, namely the financial crisis, the food crisis and climate change, are closely linked and that they affect people's security and livelihoods. These crises have gone too far in their tragic economic, financial and social punishments which could lead to more conflict and threaten security and peace at both the global and regional levels. Confronting these challenges requires all countries to generate constructive solutions on the basis of a partnership between countries that possess financial resources, management capacity and technologies, and those that have land, water and human resources. This approach also calls for an analysis of the magnitude, scope and impact of the crisis, an assessment and fulfillment of resource needs; and a review of the roles of global organizations and the relationships between them, including inside the United Nations system itself.

Damascus Declaration on Responding to the International Financial Crisis in the ESCWA Region

The Regional High-Level Consultative Forum on the Impact of the International Financial Crisis on the ESCWA Member Countries: the Way Forward, held in Damascus on 5-7 in May 2009 (the “Forum”),

Having discussed the impact of the International Financial and Economic Crisis (the “Crisis”) on the ESCWA member countries,

Having also debated the national, regional and international responses to the Crisis and exchanged views and the experiences of experts, representatives of ESCWA member countries, regional and international organizations,

The Forum requests the ESCWA member countries to undertake the following steps, activities, policies and/or strategies to respond more effectively to the Crisis,

1. Take active measures to offset the repercussions of the Crisis on their real economies and in particular to mitigate its impact on economic growth, development and employment. These measures will generally differ from one country to another depending on whether it is oil-exporting, having a more diversified economy, less-developed or under occupation.
2. Adopt sustainable expansionary fiscal policy to boost domestic demand and shorten the period of low economic growth. Fiscal stimuli in ESCWA member countries should meet key development goals and be coordinated and implemented in cooperation with the private sector and civil society. The policy should be primarily targeted towards infrastructure, agriculture, industry, health, education, environment and social protection mechanisms.
3. Take measures to ensure more cooperation with and support for the private sector, particularly in the real economy with a special focus on small and medium-sized enterprises (SMEs) and in the banking sector in those member countries facing capital reversals and liquidity crises.
4. Encouraging existing national, regional and international funds to provide liquidity to those member countries facing liquidity crises. The region needs these funds to strengthen the response to the Crisis with measures that provide long-term financing for low-and medium-income countries in the region to enable them to meet the Millennium Development Goals (MDGs).
5. Enhance the efficiency of their regulatory frameworks in the financial sector to better serve the real economy.
6. Promote greater regional integration, particularly in monetary and financial affairs, and coordinate their stimulus policies in order to improve their effectiveness in responding to the Crisis.
7. Encourage ESCWA’s Sovereign Wealth Funds to increase their investment in the real economy in the region, particularly in those member countries with a comparative advantage in agriculture and industry.
- 8 Pursue diversification vigorously in order to reduce heavy dependency on the oil sector, by diversifying exports, and investing in technology and infrastructure, thus expanding employment opportunities.
9. Facilitate intraregional flows of trade in goods and services, people and capital among ESCWA member countries to enhance their regional integration.
10. Promote South-South cooperation as part of the promotion of economic and technical cooperation among developing countries.
11. Strengthen employment and social protection policies in the interest of ensuring decent work for all, including employment services, active labour market policies, unemployment insurance, sustainable and adequate pension policies, and complementary cash transfer programmes.

12. Support the forthcoming United Nations Conference on the World Financial and Economic Crisis and its Impact on Development, including the architecture of the international financial system, that will be held in New York on 1-3 June 2009. This support can be accomplished by providing inputs related to the needs of the region and participating actively in the Conference at the highest level.

13. Take proactive steps towards ensuring a more active participation of developing countries, including ESCWA member countries, in managing the global economy. The current Crisis has demonstrated the need for reform, particularly a more representative, legitimate and hence effective management of the global economy, and that this cannot be achieved without the active participation of the developing countries in global economic decision-making mechanisms.

B. The Forum supports ESCWA's activities and requests the secretariat to undertake the following steps, activities and policies and/or to assist member countries to respond more effectively to the Crisis:

14. Strengthen and enhance ESCWA's active role in representing the particular needs of the region in coping with the Crisis as well as in the deliberations of the Commission of Experts of the President of the United Nations General Assembly on Reform of the International Monetary and Financial System.

15. Undertake technical cooperation and capacity-building activities (such as seminars, workshops and technical missions) to assist member countries in achieving national as well as regional coherence in their negotiation positions on matters of strategic importance, such as this Crisis, by bringing together the concerned entities within each country (ministries of foreign affairs, trade, finance and the economy) in such activities.

16. Play the role of catalyst in bringing the member countries together with the concerned Arab and Islamic financial institutions in order to enhance the role of such institutions in solving the problems arising from and/or exacerbated by the Crisis.

17. Submit this declaration to the ESCWA member countries and to the President of the United Nations General Assembly to include it among the background documents of the forthcoming United Nations Conference on World Financial and Economic Crisis and its Impact on Development to be held in New York on 1-3 June 2009.