



The Financial and Economic Crisis as Incentive to Improve Development Management

Pecs, Hungary, 25 May 2010

Ulrich Graute, United Nations, DESA





The financial and economic crisis

Beginning in 2008 !?

Yes, but

... it was predicted already in 2007

... it just came on top of other crises

- Food Crises
- Oil Crises
- HIV/AIDS
- Climate change
- Challenge to achieve MDG



World Economic Situation and Prospects in 2010

February 2010

(from DESA Monthly WESP Briefings)

- The **global economy** started 2010 on a **positive note**
- The significant increase in **government indebtedness** in Greece and other EU countries **may threaten global financial stability**
- **Rain shortfalls in large parts of Africa** will form a major threat to food security during 2010
- The devastating **earthquake in Haiti** presents serious economic challenges, including those of a long-term nature; addressing them **will require** a sustained international **effort and debt forgiveness**



World Economic Situation and Prospects in 2010

March 2010

(from DESA Monthly WESP Briefings)

- The strength of the **global recovery**, witnessed in the second half of 2009, has been moderating and the recovery has become **more uneven**
- Global **financial markets** experienced a notable **turbulence** in the first two months of 2010, in part as a result of increasing sovereign debt risks in Europe and elsewhere
- **Inflation**, which edged up in developed countries in late 2009, is **down** again facilitating continuation of low interest-rate policies



World Economic Situation and Prospects in 2010

April 2010

(from DESA Monthly WESP Briefings)

- **Net export growth and government spending are driving the recovery** in the major economies, while China's economy is acting as the engine of the global upturn in 2010
- **Most** of the unconventional monetary **stimulus measures** undertaken in 2009 are being **phased out** in line with improved conditions in credit markets
- **Donors pledged \$9.9 billion** at the UN international aid conference on **Haiti** to support post-disaster reconstruction



World Economic Situation and Prospects in 2010

May 2010

(from DESA Monthly WESP Briefings)

- Economic **recovery** continues **albeit unevenly**.
- Euro zone countries and the IMF agreed on a three-year programme worth **\$146 billion to support Greece** amidst drastic fiscal austerity measures and risks of contagion to other European economies.
- An additional **stabilization scheme** worth **\$930 billion** was subsequently made available for the euro zone.



RSA Annual Conference 2010

Regional Responses and Global Shifts:

- Actors
- Institutions
- Organizations

Do the three really matter?

And to what extend?



Policy priorities

2008

USA in October

- **Emergency Economic Stabilization Act**
Troubled Assets Relief Program (TARP)

2009

UN High Level Conference in June

- **Financial Stimulus**
- **Call for Reform of Financial Institutions**

2010

EU Summit in May

- **Rescue plan / ECB to purchase debt**



Policy priorities

- **A strong commitment to take action to stabilize the existing system**
- **A lukewarm commitment to reform financial institutions**
- **Raising awareness that major measures with (negative) impact on living standards may be necessary**
- **No clear vision and no commitment to far-reaching measures to improve governance**

Political promises

**Political
Leadership**



**Economic
Progress and
Social Security**

Where do we go from here?

We need ...

- a new look at the situation
- better knowledge
- new approaches
- new instruments
- different managers





United Nations Department of Economic and Social Affairs Division for Public Administration and Development Management DPADM



ECOSOC



PSA



**Capacity Building and Citizen
Engagement for Development
Management**



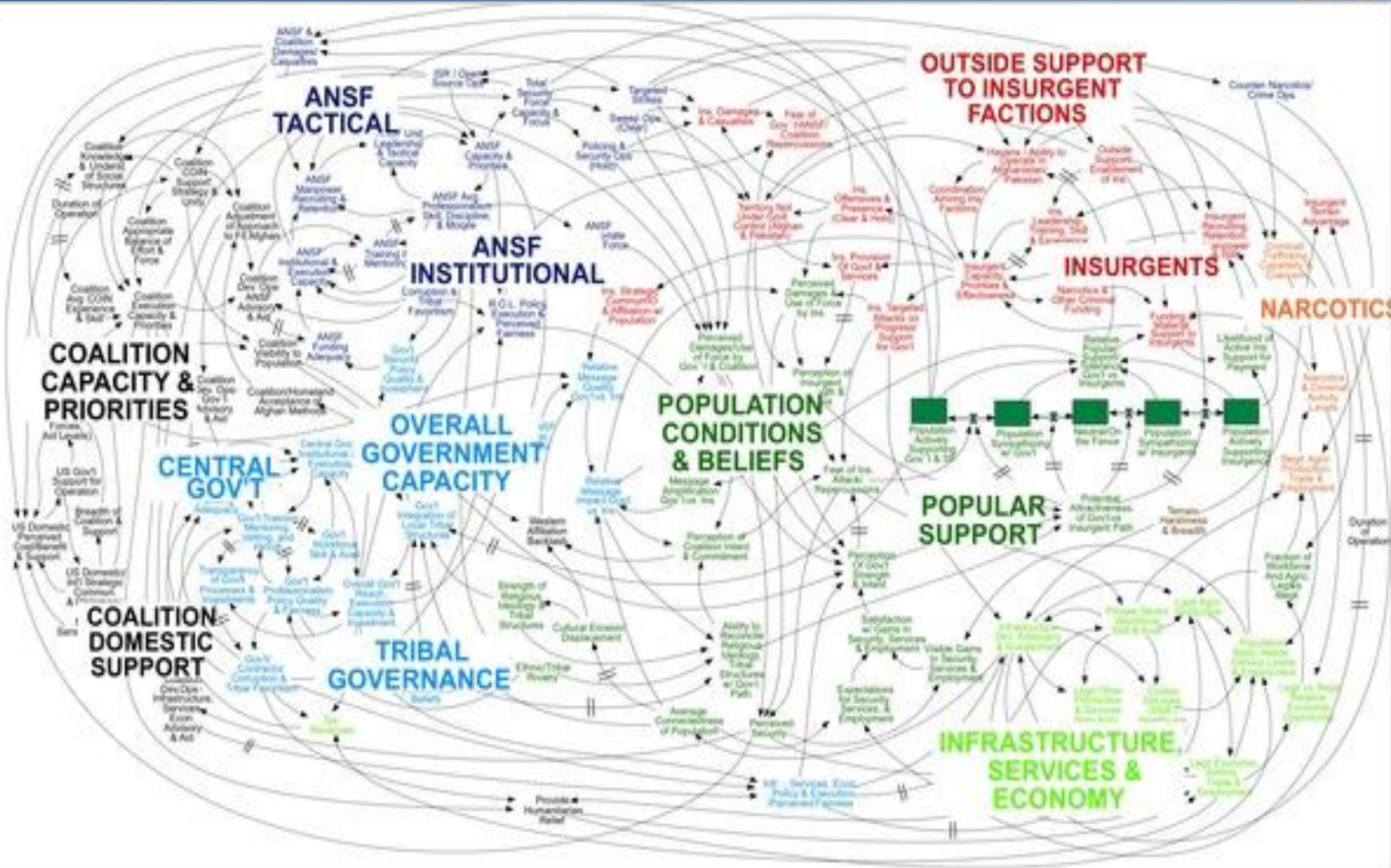
Why Capacity Development?

On how many subjects can you follow up?

On how many subjects can we afford not to follow up?

What are the capacities of managers, e.g. to handle complex challenges?

What does it need to reduce complexity and not to lose it out of sight?



Political promises

**Political
Leadership**



**Economic
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Political promises

Political Leadership



Economic Progress and Social Security

Betting Against Their Own Deal

Goldman Sachs created 25 deals under the name Abacus to help it and some of its clients place bets against the housing market. One of them, created by Goldman and the Paulson hedge fund in early 2007, is at the center of a fraud complaint filed by the Securities and Exchange Commission, illustrated here.

Investors

Purchase an investment in Abacus and, in a sense, become insurers of mortgage bonds. They receive insurance payments from the Paulson fund as long as the bonds don't fail.

Goldman Sachs

Structures and markets the deal for an initial fee of about \$15 million from the Paulson fund. The S.E.C. named one Goldman employee, **Fabrice Tourre**, who worked on the deal.

The investment deal

The complex deal is made up of a kind of insurance — credit default swaps — that pays out if mortgage bonds start to fail.

By January 2008, 99 percent of the portfolio of mortgage bonds had been downgraded. The investors lost \$1 billion, most of it going to the Paulson fund.

THE ALLEGED FRAUD

The S.E.C. says Goldman told investors that **ACA Management** chose the mortgage bonds in the Abacus investment. In fact they had been chosen largely by the Paulson fund, which was betting against the same bonds.

ACA Management

Hired to manage the deal and was led to believe that the Paulson fund was not betting against the bonds, a misconception Mr. Tourre was aware of, according to the S.E.C.

Paulson hedge fund

According to the S.E.C., the hedge fund manager **John A. Paulson** picked out the mortgage bonds he thought would perform poorly and purchased insurance on them from an Abacus vehicle. If the bonds perform poorly, he got a payout.



Workshop and Advisory Missions in Africa

Enhancing the Role of National Economic and Social Councils for Inclusive Socio-economic Policy Development

Ouagadougou, Burkina Faso, 1, 2 and 3 June 2010

Organised by

United Nations Department of Economic and Social Affairs (UNDESA)

International Association of Economic and Social Councils and
Similar Institutions (AICESIS)

Union of African Economic and Social Councils (UAESC)

Economic and Social Council of Burkina Faso



Workshop and Advisory Missions in Africa

The **main objective** of this workshop is **to strengthen the capacity of ESCs** in Africa to support the participatory process in public policymaking, implementation and monitoring, in order to enhance design and implementation of **National Development Strategies** and improve service delivery for the achievement of the **MDG**.



New Project for Asia and South America

Strengthening of Capacities of Development Management in Response to Economic Crises and Similar Development Challenges

Response to crisis has not often a **focus on** development management, including the **practical work challenges development managers are facing**. The project aims at contributing to close this gap.

The project aims to close this gap by a combination of a global dialogue and a community of practice.



The role and strength of our UN division is ...

... to support normative work and to carry out
policy studies and advisory services
for capacity building.



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