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What is the role of the UNDP in this crisis?

We assist the governments with wide matters of governance as well as economic matters. Emphasis is given to the protection of the poor and the most vulnerable. What characterizes our work at UNDP, and more generally at the UN, is that we assist we work together with governments: together we determine priorities and we work together for their materialization, according to their capabilities and the institutions of each country. We advocate for more funding from donors, however it is our duty to understand the constraints imposed by the crisis, and within these limitations we promote the protection of those who need it.

In the area of Eastern Europe and the former USSR states, the UNDP promotes mainly “green” public works of small size which may support employment and promote environmentally friendly solutions. These are activities, such as the improvement of energy use effectiveness and the promotion of renewable energy sources at the local level, especially in areas which lack energy resources. We believe that this is a more efficient way to help people who lose their jobs, or to increase employment instead of simply transferring funds. In addition, these solutions do not require large sums of investment in order to materialize. In relation to the crisis, and within the important limitations we face with our funds, we place emphasis on the oversight of the repercussions of the crisis on the poorest.

You spoke for the different facts of each country. Is this what you mean when you say there is no exit strategy from the crisis that is suitable to all countries?

Yes, I would say that this is a fact especially in the area of my responsibility, which is quite wide and includes many countries. It is true that in 1999, when several of these countries were leaving behind their communist regimes, the direction was, in general terms, the same – privatization, liberalization, etc. Soon enough though this course of action was understood as simplistic. And when you look at it as the only alternative, it is sure that you exaggerate. Wherever the state management of governmental organizations stopped, the choice often was simply no management, instead of management according to market rules.

Some countries possess stronger institutions than others, and I would say as such that “there is no much importance what color the cat is, as long as it is able to catch the mice”. The crisis has reminded us of this. The answer to the crisis must be determined and be evaluated by each country, in connection with its institutions and the state of affairs is at.

Are you optimistic that this will happen? Will the crisis change the way people confront the financial challenges?

This has already happened. It is a historical irony that it was a conservative, extremely liberal government in the USA which has undertaken the biggest – up to date – state intervention in the economy of the United States, since this was deemed necessary. If there were wrong facets of this intervention and how these are corrected, this is another matter, but it is interesting that even a government with such characteristics

recognized the urgent need for governmental intervention. Even the fact that it was forced points to the fact that the exclusion of any state intervention cannot be a dogmatic view. Similarly, the best solution for any country eventually may not be the best for another. Policies may be determined by the countries themselves on the basis of institutions and their choices, depending on the conditions which prevail internally, and not to be based on the virtual model which anyone may prefer.

How does the crisis affect the countries of Eastern Europe?

The repercussions vary based on two or three factors. The first one is whether a country is rich in energy resources. The effect of the crisis in this case is double, since on one hand exports are negatively affected in energy products, although on the other hand are also affected by the financial crisis. Of course, the countries which have followed a sober economic policy, accumulating reserves when the price of their products were high, possess a cushion which may be utilized with a lot of prudence, as it is difficult to predict how long this crisis will last. A second factor is the previous situation in terms of fiscal management. The countries with a somewhat looser management of their fiscal systems and an expanding fiscal policy have been affected more compared to the prudent ones. The third factor is that some countries, for political reasons, have easier reach to international finance than others, and this unfortunately sends the wrong messages in the long term. The support that some countries have does not coincide at all with whether they followed prudent policies before the crisis, and this is not a good signal for reform in the future. If you are prepared to spend billions to get not so careful governments out of the crisis, you should be spending a lot more for those who follow prudent policies.

The banking sector has been affected violently in Eastern Europe. How significant do you think this is?

It is a big problem and we must realize that it will be with us for a rather long period of time. First, in the future, we need to acquire a worldwide answer on what the countries should do, which are called upon to liberalise and open their markets, when they receive incoming capital. Furthermore, if we can or whether we should support more control in capital flows in the future, when they receive the incoming flows, as well as whether we could offer these countries some guarantees when the situation reverses. This is one of the biggest questions which may be answered by the new world structure. The other matter, which is highlighted and it must be carefully examined is whether development of our area depends to great extent on the availability of excessive capital, which were created through the big bubble of the Western capital markets, which have now been deflated. We cannot wait this type of capital inflows in the future. The countries of the region must prepare themselves for a long term shift in their income. They must focus more on their competitiveness and in the development of their working capital capacity, as this is the only way to ensure the level and standard of living that they envision.