

PART I

ACTIVITIES OF THE UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE IN THEIR BROADER CONTEXT SELECTED ESSAYS


OVERVIEW

Robert Shelburne
Senior Economist, Office of the Executive Secretary

This first section of the UNECE annual report for 2009 includes 10 essays written by our staff to provide some background perspective on the various activities of our organization. The topics for these essays were chosen freely by the authors with the objective of providing the general reader with some knowledge or understanding that would help them further appreciate the technical work carried out by UNECE. The authors have been encouraged to think imaginatively and creatively about their chosen topics and therefore any assessments or policy proposals represent their opinions and do not necessarily reflect the official position of UNECE. Nevertheless, these authors generally have considerable expertise on the subjects that they have written about and their opinions represent what we believe to be an “expert view” and, as such, deserve to be seriously considered. But more importantly we hope they will be informative and interesting to read.

The first six essays deal in varying degrees with the issue of climate change or global warming, which is going to be a monumental challenge confronting mankind for the next several decades. It will have a major impact on our way of life, the economic structure of economies and of course the activities of UNECE. Every subprogramme is likely to have its work programme altered by the need to address this challenge. It is perhaps appropriate that climate change is addressed in this year's report since there are likely to be a number of quite important developments concerning the issue in 2009. Most importantly, of course, is the planned United Nations climate change conference in Copenhagen, Denmark, in December of this year, which is tasked with producing the follow-up agreement to the Kyoto Protocol of the United Nations Framework Convention on Climate Change (UNFCCC) (which covers only the 2008-2012 period). That agreement was originally proposed at the Earth Summit in Rio de Janeiro in 1992. Given the importance of the issue this year for the United Nations, and the long-term implications for our organization, UNECE is also having a session devoted to this topic at its 2009 Biennial meeting of the Commission. The key objective of this meeting is to assess how UNECE is contributing towards addressing climate change and how its future activities may need to be modified for further challenges. A recent inventory of existing activities related to climate change reveals that this organization is already quite extensively engaged and that the staff already has considerable expertise related to this topic. These six essays include an overview of the subject, a discussion of how to finance mitigation activities, the role of forests in reducing carbon concentrations in the atmosphere, the potential for energy savings from improving building design and construction and similarly for the transport sector, and the role of environmental assessments in raising public awareness of climate change.

The second part of this first section contains four additional essays which reflect the breadth of interests of UNECE staff. These include a discussion of the Aid for Trade initiative, a look at the Mediterranean region along the southern border of our European member States, and an exploration of whether there is a role for UNECE in conflict prevention and peacebuilding. We end with an essay that will be of particular interest to all of us who have been unable to keep up with the rapid developments occurring on the internet regarding blogs, wikis and social networking; how these are related to the needs of statistical agencies provides some interesting reading.




As an introduction to the topic of global warming, in the first essay I attempt to provide a broad non-technical overview to the whole topic of climate change. The essay attempts to spell out the key issues, defines the basic concepts that are often used in the discussions, and provides a simple conceptual framework for thinking about the problem and how it can be addressed. Basically, I try to pick up where Al Gore's movie *An Inconvenient Truth* left off, so no prior knowledge of the topic is really required for reading this paper. The changes that have been occurring in the Earth's climate are discussed and the underlying mechanisms of how carbon dioxide (CO₂) emissions have contributed to this are explained. Essentially, climate change will require mankind to decide whether it is best to adapt to higher temperatures or attempt to mitigate the increase by drastically reducing our emissions of CO₂ into the atmosphere. The optimal choice is to minimize the sum of the adaptation and mitigation costs; most analyses suggest that much more needs to be done to reduce carbon emissions and thus the focus should be on mitigation activities. This, however, will require a considerable amount of technological advancement and the creation of a global institutional mechanism to manage the process; an attempt is made to explain what is going to be required regarding both of these.

A key component of climate change mitigation efforts will be the need to develop new technological solutions and to diffuse current state-of-the-art technologies to developing countries. However, due to a number of market failures, the required research and technological transfers are currently not being undertaken. José Palacin, UNECE's focal point for innovative finance in the Economic Cooperation and Integration Division, applies what has been learned about promoting innovation policies at the general level to the specific challenges in the environmental area. He stresses the need to establish the proper regulatory and institutional frameworks as a precondition for attracting funding into these activities. More specifically, there is a current need to set a realistic price for carbon emissions that will provide an important financial incentive for firms to invest in mitigation technologies. The issue of finding finance for often long-term and risky environmental projects is likely to become especially difficult over the next couple of years since the current financial crisis has made raising finance difficult even for established business operations. Thus, this dimension takes on increased importance.

The next essay, by Kit Prins, Sebastian Hetsch, Franziska Hirsch, Roman Michalak, Ed Pepke and Florian Steierer, represents a true group effort by the Timber Section to explain the importance of the region's forests as a factor in addressing the challenges in mitigating climate change. They explain the role of forests both as a carbon sink for absorbing carbon emissions from the atmosphere and as a source of renewable energy and materials. The importance of the forests is revealed by the observation that the total carbon stored in them, both the trees and the soil beneath, is only 15 per cent less than the entire amount currently in the atmosphere. The potential of using this sector more fully to capture and store carbon has been limited by the failure of current protocols and other climate change mechanisms to adequately account for the contribution of this sector. Thus, a better accounting, which will give the proper credit to the impacts that this sector is having, is viewed to be an important next step to increasing the resources that countries will devote to this factor in addressing climate change. The degree to which global warming is already affecting the forest is also discussed; increasingly mankind may be required to be more proactive in implementing "planned adaptation" activities such as increasing the diversification of forestry resources.

A significant percentage of greenhouse gas (GHG) emissions results from the need to heat and cool our buildings and to provide power to all our household electronic gadgets. The next essay, by Paola Deda and George Georgiadis, both of the Environment, Housing and Land Management Division, explores the challenges in increasing energy efficiency in housing. The potential for energy savings in this sector is considerable with estimates that energy use could be cut by almost a third simply by implementing currently cost-effective measures. The gains are particularly large in the former transition economies, as energy costs there used to be subsidized and the inefficiencies inherent in central planning led to a poorly designed housing stock. In addition, in a number of these economies, even buildings currently being constructed are inadequately designed for energy efficiency. The benefits of increasing efficiency do not just translate into social objectives such as reducing carbon emissions but accrue directly to households by lowering their energy bills. Housing policy also has an indirect impact on emissions by affecting land-use decisions which can lead to deforestation and increased transport. Often there are major losses in just getting the energy from the power plants to the buildings.

In order to determine what type of energy efficiency-improving activities are economically justified, their costs and benefits must be assessed. This can be looked at either from the perspective of the building's owner or from the perspective of society at large. The second method may be justified given that improving energy efficiency contributes to social objectives that are inadequately accounted for by market mechanisms due to a number of market failures such as externalities and public goods. The authors therefore discuss how these costs and benefits should be calculated. Generally, they conclude that when the appropriate costs and benefits are fully included, there is a strong case for much more investment in these activities in the housing sector. The reason this has not been undertaken is the result of poorly designed governmental institutions and regulations, inadequate information, and capital market imperfections. Some policy advice for addressing these issues is provided.




A number of immense challenges face mankind in achieving sustainable development and stopping environmental degradation; some are technological whereas others are political. Despite recent progress in developing a political consensus that policy changes are needed at both the domestic and international level, the required political and public will is still insufficient to overcome a number of political barriers limiting progress. To address this problem, the next essay, by Nick Bonvoisin of the Environment, Housing and Land Management Division, discusses the importance of raising public awareness of environmental issues and the role that assessment processes can have in this regard. Awareness of the environmental dimension of economic activities can be increased in numerous ways such as through education and training, public-service campaigns, product labelling, product marketing, and consumer activism. This essay, however, focuses on the role of environmental assessments; they provide a more formal and scientific way for information to be incorporated into policy decisions and the planning process. And this information can then be integrated into the other activities mentioned above to help bring about policy changes.

The various types of assessments are explained and some benefits and limitations concerning their use are discussed. Some different dimensions of the assessment process are highlighted, such as the desirability of having an assessment that is ongoing so that it provides more than a yes or no and is able to influence specific policy and design questions that arise during the development of a project. It is important to consider not just the environmental angle, but also the economic and social ones. More specifically, the widespread use of a group of tools collectively known as a strategic environmental assessment (SEA) is explained. The Organisation for Co-operation and Economic Development (OECD) has provided some guidance on the use of SEA and a Protocol on SEA has been adopted (but has yet to enter into force) as part of a UNECE environmental convention. The tool has been used in a number of circumstances across Eastern Europe, the Caucasus and Central Asia (EECCA).

After energy production (mostly for electricity), the transportation sector is the second largest source of carbon emissions, accounting for about one quarter of all fossil fuel emissions. Three quarters of this is due to road transport. Eva Molnar, the Director of the Transport Division, provides a short essay addressing two major challenges confronting this sector: reducing emissions and improving road safety. The huge task in reducing emissions is compounded by the expected rapid increase in the number of cars; their number is expected to more than double between now and 2020. As for highway safety, every year over one million people die in highway fatalities and they are the leading cause of death globally for 15-19 years old. Mrs. Molnar is somewhat optimistic that the carbon emissions and safety challenges confronting this industry can be solved by considering what has been accomplished in terms of reducing pollutant emissions. Passenger cars now release less than 5 per cent of the pollutants they did 30 years ago and heavy-duty vehicles less than 10 per cent of what they released in 1990. Several transport institutional mechanisms, such as the World Forum for Harmonization of Vehicle Regulations, which helped contribute to this abatement of vehicle pollution have already begun to focus on these newer concerns. More generally, the task ahead appears to be the need to close the gap between what we know about these issues and what we are actually doing about them.

The second group of essays deals with a variety of topics that have attracted the interest of UNECE staff. As a complementary activity to the World Trade Organization (WTO) Doha Round of trade negotiations (which are currently stalled), the Sixth Ministerial Conference in Hong Kong, Special Administrative Region of China, in 2005, mandated that technical assistance and capacity-building activities needed to be expanded so that developing countries could take better advantage of the opportunities opened up by liberalization, especially those from a concluded Doha Round. The name "aid for trade" is perhaps a little confusing as it might be incorrectly interpreted as a quid pro quo whereby aid would be given to developing countries as compensation for any trade concessions that they would be willing to make. However, as formulated, this aid programme is really not contingent on countries making concessions, and is best thought of as "aid allocated specifically to trade-related activities".

For the countries with economies in transition, a number of activities could strengthen their ability to more fully participate in the global economy, such as improving the transport infrastructure, especially for the landlocked countries. However, with traditional barriers to trade such as tariffs and quotas being progressively eliminated, the ability to comply with technical regulations and use international standards has emerged as a key factor for success in integrating into international markets. Lorenza Jachia, who is currently the Secretary of the Working Party on Regulatory Cooperation and Standardization Policies and the UNECE focal point on the Aid for Trade initiative, focuses on the potential of providing assistance to Governments and businesses for the setting of and complying with product standards. These standards could be associated with a number of things such as the safety or quality of a product. It turns out that there are many ongoing capacity-building activities regarding standards which are being financed or implemented by numerous Governments or international agencies such as WTO; the need for improved coordination amongst these bodies is discussed. Addressing recipients' needs instead of those of the donors is also important. Given the significance of economies of scale, where there are many small countries such as in South-East Europe (SEE), the gains from a regional approach may be especially large. Over the last several years, the new member States of the European Union (EU) have been recipients of a large share of this capacity-building as part of their efforts to implement the *acquis communautaire*.



As technology and economic integration make the world more interconnected and smaller, the connections between the wider European area and its neighbouring regions are becoming increasingly important. For example, hardly a day passes without some reminder of the importance to Europe of China. Yet even closer geographically and much more intertwined historically are the countries that share the Mediterranean basin with a number of UNECE economies. In fact 13 of our member States have a coast on the Mediterranean, and defining the basin somewhat larger to include the Black Sea adds another five; at least half of the UNECE member States have some water access to the Mediterranean and a number of others are not particularly far away and rely on its ports for access to the larger global economy.



Thus, Katia Adamo (a former UNECE intern² now in graduate school at the London School of Economics) and Deputy Executive Secretary Paolo Garonna provide an overview of current institutional cooperation, economic conditions and challenges in the Mediterranean region. For various economic and political reasons, there is not one but several major intergovernmental organizations or processes coordinating the activities of the Mediterranean region. The membership of each varies somewhat and each has a fairly limited mandate. For example, the EU's partnership with the southern Mediterranean States is referred to as the Barcelona Process. It seeks cooperative solutions to political, economic, social and cultural issues. This Process has created a Parliamentary Assembly of the Mediterranean (PAM) made up of the littoral States (and the Palestinian Authority) and a Union for the Mediterranean made up a larger group of countries including all the members of the EU. The Organization for Security and Cooperation in Europe (OSCE) and the Mediterranean Partners for Cooperation have established a partnership to address common security issues.

The differences in per capita income are the major distinction between the economies on the north and south of the Mediterranean. Population growth also varies, with slow growth in the former and rapid growth in the latter. These income and population growth differences suggest that immigration will be a major issue in the coming decade. These differences, however, have not hampered the development of intensive trade throughout the region. This trade relies on the land and maritime transport networks, and the authors describe some current deficiencies regarding these and the progress in addressing them. There are also a number of projects further integrating the energy networks of the north and south including a number of gas pipelines under the Mediterranean. These provide some of the European economies with more alternatives to their current over-reliance on a few suppliers; in return, the south can benefit from the technological capabilities of northern Europe. There is a long history of cooperation on environmental matters such as addressing pollution in the Mediterranean; however this remains an immense challenge. Other regional environmental matters, such as the availability of drinking water and mechanisms for allocating transboundary groundwater, will also need to be addressed. The authors end with some ideas on the possible role of UNECE in addressing these transport, energy and environmental challenges, and more generally the promotion of further interregional cooperation.

The next essay is a summary of a larger study by Brinda Wachs (of the Environment, Housing and Land Management Division) and Geoffrey Hamilton (Chief of the Cooperation and Partnership Section of the Economic Cooperation and Integration Division) concerning the importance of economic governance in post-conflict situations and aims to show that addressing technical and economic issues can be an important ingredient in promoting peace by reigniting economic growth and building trust within divided communities. The focus is on the role UNECE can play in conflict prevention and peacebuilding. The activities of UNECE are mainly technical and generally address specific economic issues and any political role in fostering security is not a part of its mandate, although the Security Council has recently reconfirmed the role of regional organizations in the prevention, management and resolution of conflicts.

Moreover, the historic role of UNECE in bridging the East-West divide and guiding the transition process of the former planned economies is testimony to the importance of this so-called functional approach to peacebuilding. During the transition process, political and economic systems often had to be recreated from scratch and sometimes in newly formed nation states. The lessons learned during this process, especially regarding the importance of good governance, provide the basis of UNECE's contribution to conflict prevention and post-conflict peacebuilding. The regional significance of peacebuilding and thus the role of a regional body such as UNECE is stressed by explaining that conflicts often have major transboundary impacts such as migration, environmental degradation, disrupted transportation corridors and broken trade links.

² Every year about 70 graduate students serve as interns in UNECE and provide an important input into the activities of this organization. Unfortunately these are not salaried positions, but recognizing this, the staff makes every effort to ensure that the students have an enjoyable and productive experience that will be an asset to their later careers. Secretary-General Ban Ki-moon has said that he believes a United Nations internship is an important experience and has encouraged the participation of his own children. Further information on this is available on the UNECE website under "About UNECE".



The authors also provide an overview of the institutional initiatives that are being developed within the various United Nations agencies and other international organizations emphasizing their activities in South-East Europe and Central Asia. The essay ends by considering the future role of UNECE in creating a framework convention or standards, on the basis of agreed principles for post-conflict governance.

The final paper in this section explains the roles that blogs, wikis and social networking play in the provision and dissemination of official statistics. As Jessica Gardner, of the UNECE Statistical Division explains, these are all part of what is sometimes referred to as Web 2.0 technologies. Web 1.0 sites simply provide information while 2.0 sites allow two-way communication between the site and the user. These more interactive sites have become quite popular with individual users, businesses and increasingly with Governments. It may come as a surprise to readers to learn that a number of businesses and non-profits have a presence in the “imaginary” virtual online world of made up characters known as Second Life; even the World Bank and the Swedish Embassy are there! More generally, these Web 2.0 sites attempt to gain from the collective wisdom which is part of the vast pool of knowledge of Internet users. The essay essentially asks how can this technology be used by Governmental and international official statistical organizations. A major problem for these organizations is that they are particularly concerned about their credibility, and therefore opening these sites to comments or manipulations by the general public is viewed as a risky business. How to find some middle ground and reconcile these competing objectives is explored, and as a teaser the issue of Web 3.0 is raised. This paper is particularly interesting in that it mentions a number of new and useful websites worth knowing about.

Finally, since these essays recognize their authors, the authors would like to recognize the assistance of those others in UNECE that contributed to editing and formatting them. This effort was led by Charlotte Griffiths, who supervised the whole process as the Officer in Charge of UNECE’s Information Service. We also gratefully acknowledge the assistance and support of Alison Mangin, as well as the help of Chris Edgar, Christina O’Shaughnessy and Nathalie Pereira.