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POLICY RESPONSES TO THE GLOBAL  
FINANCIAL AND ECONOMIC CRISIS  
IN THE CEE/SEE REGION



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## INTRODUCTION

In 2008, the Central European and South Eastern European (CEE/SEE) region was hit by the global financial and economic crisis in the time when it has just begun recovering from the shocks of the transition reforms (dubbed *Shock Therapy reforms*).

In the time, when the crisis<sup>1</sup> arrived, the national economy, financial and banking systems remained quite fragile and depended on western support, markets or access to the western capital and know-how. The CEE/SEE countries became highly integrated into the global economy and the global financial structures, and thus they were particularly hard hit by the breakdown of the financial and banking system.

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<sup>1</sup> See about the causes and consequences of the global financial and economic crisis in 2008 in Varoufakis, Y. (2011). *The Global Minotaur: America, the True Origins of the Financial Crisis and the Future of the World Economy*. London & New York: Zed Books. See also the explanations and views of the United Nations and the international financial organizations: United Nations General Assembly. (2009a). Final Outcome Document adopted at the UN Conference on the World Financial and Economic Crisis and its Impact on Development. New York: United Nations; Berglöf, E., Korniyenko, Y., Plekhanov, A. and Zettelmeyer, (2009). Understanding the crisis in emerging Europe. *Working paper No. 109*. European Bank for Reconstruction and Development; Commission of the European Communities. (2008a). *From financial crisis to recovery: A European framework for action*. Communication from the Commission, Brussels; European Bank for Reconstruction and Development. (2009). Understanding the crisis in the transition region. *Transition Report 2009*. European Bank for Reconstruction and Development; International Monetary Fund. (2009p). *Regional economic outlook: Europe. Addressing the crisis*. Washington, D.C.: International Monetary Fund; UNDP. (2009). *The Economic Crisis in the Commonwealth of Independent States: Effects of the Crisis*. United Nations. (2009c). *The current global crises and their impact on social development*. Follow-up to the World Summit for Social Development and the twenty-fourth special session of the General Assembly: merging issues: "The global crises and their impact on social development", Commission for Social Development. 20 January 2009; World Bank. (2009e). *Global Monitoring Report 2009 – A Development Emergency*. Washington: World Bank.

The combination of economic decline, failing domestic demand, declining exports and foreign direct investments (FDIs) has negatively affected the macroeconomic situation in the whole region. The decline of foreign capital flows, slowdown of economic activities and increase of the budget deficit have forced the governments to turn to the international financial institutions (IFIs) and the European Union (EU) for a financial assistance. The International Monetary Fund (IMF) and the World Bank responded by offering new borrowings. This large scale borrowing led to increasing indebtedness of many countries in the region.

The crisis had a considerable negative impact on almost all groups of population, especially those groups who lacked both access to the comprehensive state-sponsored welfare support systems and market oriented mechanisms of private insurances and supporting services. In the end, it were the poor and extremely poor, particularly large families, pensioners, single mothers, recent migrants, unemployed and underemployed groups, who had to bear disproportionately large share of economic and social burden.

The governments in the region faced an urgent need to react to the social, economic and financial downturns, though the amount of resources available for dealing with the impact and consequences of the crisis hardly was adequate. The governments lacked reserves to fund substantial economic stimulus packages (ESPs). In many countries emergency policy measures and the ESPs were designed to achieve macroeconomic stabilization, prompt up the banking and financial sectors and national currencies and deal with the collapse in the real estate and construction business sectors.

The main purpose of the study is to assess the impact of the global financial and economic crisis on the human development trends and the position of women in the CEE/SEE region. The study further examines emergency policy measures introduced by the governments in the region in response to the crisis including the ESPs. It overviews the major features of the ESPs, which have been designed to address the most pressing macroeconomic objectives, such as (a) achieving macroeconomic stability by supporting the financial liquidity and banking sector stabilization and currency stability; (b) attempting to stimulate revitalizing the economic activity and economic growth by substantially increasing public spending in labour-intensive areas (infrastructure, construction, etc.); and (c) various measures to stimulate private businesses and private sector consumption.

Special attention is given to the measures that are specifically designed to support low-income and vulnerable groups of the population, including women. Among other issues the study addresses the following

questions: How and to which degree the crisis affected the labour markets and vulnerable groups, including labour migrants? To what degree the social packages included in the economic stimulus packages (ESPs) were directed on stimulating job creation and job retention, and on some other measures to cushion the negative impact of the crisis on general population especially vulnerable groups? What was the role of the key international and regional players in shaping national responses to the global crisis? To what degree the emergency measures have been gender sensitive? How and to what degree the crisis affected women in various sectors of economy, including agriculture and the care economy? Have women and other vulnerable groups been included in decision making and shaping anti-crisis policies?

The information and data were compiled using desk research of the available data, studies, statistics and reports produced by the national institutions, international financial institutions, the United Nations agencies, international networks of civil society organisations and researchers.

This study is divided into four sections. Following the introduction, section one assesses the nature of economic and financial crisis in the region and its impact on the low-income and vulnerable groups of the population, including women. Section two reviews the policy responses to the global crisis in the countries of the CEE/SEE region, and specifically the ways in which the economic stimulus packages (ESPs) in various countries address issues from human rights and gender perspective. Section three assesses the role of the key international and regional players in assisting the countries to cushion the negative effects of the crisis. The fourth section analyses the national policy responses from human rights and gender perspective. The conclusion summarizes the findings of the study.