



Global economic crisis and developing countries

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- The views expressed are my own and do not necessarily reflect those of the European Commission.

Outline

1. Crisis impact.
2. Role of the EU.
3. Aid.
4. Protect the vulnerable.
5. Boost real economy.
6. Efficiency gains.
7. Conclusions.

1. Crisis impact.

- Developing countries have been hit much more than others.
- Direct impact of financial crisis shown by drying-up of credit, private capital inflows, increased exchange rate volatility.
- Forecasts for the second half of 2009 and for 2010 look gloomy ([Table 1](#)).
- Risk that achievements by EU donors and partner countries would unravel.
- Risk of growing social and political instability; migration is one example.

2. Role of the EU.

- The G20 meeting in London confirmed the need of decisive action by the EU and made a number of steps in the right direction.
- The EU shows unity, leadership and commitment as in Accra and Doha in 2008.
- The Commission proposed on April 8 a number of concrete, targeted and timely coordinated actions for the EU as a whole.

3. Aid.

- EU is the biggest provider of ODA (59% of the overall total).
- In 2008, EU ODA reached 0.4% of GNI (EUR 49 billion), compared with 0.37% of GNI in 2007.
- However, significant effort needed to ensure EU aid volumes rise, as promised, by a further EUR 20 billion in 2010 (0.56% of GNI).
- At the same time, development aid should be used to leverage other non-ODA financial resources: attracting investment, promoting technology transfer, facilitating trade.

4. Protect the vulnerable.

- The Commission made a proposal to set up a “Vulnerability FLEX” instrument to assist those ACP countries hit most by the downturn in trade and falling revenues.
- The instrument will act counter-cyclically.
- The instrument should focus on ensuring social safety net spending and should be based on at least EUR 500 million in 2009.

5. Boost real economy.

- Investment in inter-regional infrastructure; the Commission proposed to reinforce and reshape the EU-Africa Infrastructure Trust Fund.
- In addition to the already EUR 150 million available, the Commission will contribute an additional EUR 200 million in 2009-2010 and ask Member States to contribute an additional EUR 150 million.
- The revitalisation of agriculture, the boosting of green growth and climate change mitigation and adaptation and the stimulation of trade and investment are other priorities for boosting growth.

6. Efficiency gains.

- First estimates of a study commissioned by the Commission has shown that up to EUR 7 billion of gains per year could be made by fully implementing the Accra Agenda for Action.
- The Commission will also propose in 2009 codes of conduct/joint approaches on issues such as global and vertical funds, the use of country systems and technical assistance.
- The upcoming 10th EDF Mid-Term Review of Country Strategy Papers offers a genuine opportunity to scale up these efforts substantially and to accelerate the joint programming.

7. Conclusions.

- The financial crisis represents a turning point for global governance, both politically and psychologically; the emergence of the G20 process is one sign of this.
- The EU's success in promoting stability and prosperity has long operated as a magnet, fostering peace and institutional change through the prospect of enlargement.
- The European Union is already acting on G20 commitments, reflecting determination to lead by example.

1. Crisis impact.

Table 1.1. Overview of the *World Economic Outlook* Projections

(Percent change, unless otherwise noted)

	Year over Year						Q4 over Q4		
	2007	2008	Projections		Difference from January 2009 WEO Projections		Estimates 2008	Projections	
			2009	2010	2009	2010		2009	2010
World output¹	5.2	3.2	-1.3	1.9	-1.8	-1.1	0.2	-0.6	2.6
Advanced economies	2.7	0.9	-3.8	0.0	-1.8	-1.1	-1.7	-2.6	1.0
United States	2.0	1.1	-2.8	0.0	-1.2	-1.6	-0.8	-2.2	1.5
Euro area	2.7	0.9	-4.2	-0.4	-2.2	-0.6	-1.4	-3.5	0.6
Germany	2.5	1.3	-5.6	-1.0	-3.1	-1.1	-1.7	-4.4	0.0
France	2.1	0.7	-3.0	0.4	-1.1	-0.3	-1.0	-2.2	1.4
Italy	1.6	-1.0	-4.4	-0.4	-2.3	-0.3	-2.9	-2.9	0.2
Spain	3.7	1.2	-3.0	-0.7	-1.3	-0.6	-0.7	-2.9	0.2
Japan	2.4	-0.6	-6.2	0.5	-3.6	-0.1	-4.3	-2.7	-0.6
United Kingdom	3.0	0.7	-4.1	-0.4	-1.3	-0.6	-2.0	-3.2	0.6
Canada	2.7	0.5	-2.5	1.2	-1.3	-0.4	-0.7	-1.9	1.7
Other advanced economies	4.7	1.6	-4.1	0.6	-1.7	-1.6	-2.7	-1.9	1.7
Newly industrialized Asian economies	5.7	1.5	-5.6	0.8	-1.7	-2.3	-4.8	-1.5	2.0
Emerging and developing economies ²	8.3	6.1	1.6	4.0	-1.7	-1.0	3.3	2.3	5.0
Africa	6.2	5.2	2.0	3.9	-1.4	-1.0	...	...	...
Sub-Saharan	6.9	5.5	1.7	3.8	-1.8	-1.2	...	...	...
Central and eastern Europe	5.4	2.9	-3.7	0.8	-3.3	-1.7	...	...	...
Commonwealth of Independent States	8.6	5.5	-5.1	1.2	-4.7	-1.0	...	...	...
Russia	8.1	5.6	-6.0	0.5	-5.3	-0.8	1.2	-4.7	1.0
Excluding Russia	9.9	5.3	-2.9	3.1	-3.2	-1.3	...	...	...
Developing Asia	10.6	7.7	4.8	6.1	-0.7	-0.8	...	...	...
China	13.0	9.0	6.5	7.5	-0.2	-0.5	6.8	6.9	7.9
India	9.3	7.3	4.5	5.6	-0.6	-0.9	4.5	4.8	5.9
ASEAN-5	6.3	4.9	0.0	2.3	-2.7	-1.8	2.1	1.2	3.3
Middle East	6.3	5.9	2.5	3.5	-1.4	-1.2	...	...	...
Western Hemisphere	5.7	4.2	-1.5	1.6	-2.6	-1.4	...	...	...
Brazil	5.7	5.1	-1.3	2.2	-3.1	-1.3	1.2	1.1	2.4
Mexico	3.3	1.3	-3.7	1.0	-3.4	-1.1	-1.7	-2.1	2.5