



# 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.
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## 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		2008	Projections	
			2009	2010	2009	2010		Estimates	2009
<b>World output<sup>1</sup></b>	<b>5.2</b>	<b>3.2</b>	<b>-1.3</b>	<b>1.9</b>	<b>-1.8</b>	<b>-1.1</b>	<b>0.2</b>	<b>-0.6</b>	<b>2.6</b>
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 <sup>2</sup>	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

