

A CONTEXT OF GLOBAL CRISES

We are facing a global financial crisis. The global economy started shaking at the beginning of September 2008 culminating in a global crash of financial markets. The US and OECD financial markets have been the first hit by the crisis, but the spreading sequence has not spared other countries, from emerging economies to developing countries.

As forecasted by the OECD and the World Bank, the global economy is rapidly heading towards recession: with a predicted world growth rate of 0.5% for 2009 (this is the lowest annual rate since World War II, as predicted by the IMF in its World Economic Report), the US, Japan and the eurozone are all entering recessions; also the growth forecasts of developing countries have already been adjusted to lower levels by the World Bank. As a consequence of this, **global trade** is expected to slow down significantly (UNDESA estimations are for a growth of 3.2% in 2009, down from 6.4% in 2007, while the WB estimates a contraction of 2.5% in global trade for 2009).

The current global slowdown is impacting developing countries, in particular Africa which was already suffering from the previous shocks caused by the sharp increases of fuel and food prices experienced in 2007-08, through different channels:

- Through the **reduction of commodity prices and subsequent impact on investment projects;**
- Through the **reduction of exported volumes of commodities** due to a global demand slowdown; (meaning that OECD countries will demand less products from developing countries);
- Through **rising capital costs impacting household consumption, government and private sector investments;**
- Through a **decrease in access to credit, including trade credit;**
- Through a **decrease in remittances;**
- **Expected failure of various donors** (e.g. Italy, France) to live up to earlier ODA commitments.

There is a human crisis being created by this economic turmoil. A World Bank report suggests that 100 million people have already been added to the world's poor as a result of high fuel and food prices. While oil prices have dropped, food prices have only moderated and the food crisis continues. We can therefore expect an increase in poverty and inequality: poor household conditions could worsen further and with it also unemployment; as witnessed in the recent months, political instability could also increase due to the deterioration of living standards.

In particular, the situation of women in poor countries, who make up over half the agriculture labour force, is also subject to deterioration in terms of poverty and hunger. Women have less access to essential resources such as land, education and financial credit than men, and although they play a crucial role in rural related activities they can be negatively impacted in situations of economic turmoil. Yet, it is internationally recognised that gender equality and the empowerment of women are essential for economic growth, poverty reduction and development effectiveness.

An **additional crisis** besides the already multiple crises on the economic, financial and food front is ahead of us; precisely the environmental crisis. The latest two rounds of United Nations climate change negotiations, which took place respectively in Accra last August and in Poznań last December, made some progress on a strengthened and effective international climate change deal under the UN Framework Convention on Climate Change (1992), as well as on emission reduction issues under the Kyoto Protocol (1997). Although a lot is still left on the table, the latest COP14 in December provided a clearer picture of the commitments to be asked of developed countries, as well as the financial and institutional support necessary to deliver a successful outcome during the next international gathering – COP15. The final negotiating process should in fact head to a conclusion at the UN Climate Summit COP15 in Copenhagen at

the end of 2009. While Europe will be the centre-stage of the climate change debate, the role of the US will be in the spotlight, considering that a dramatic reversal in US policy would be necessary to push negotiations forward. With the election of Barack Obama, who stated in a video address prior to Poznan that “the United States will once again engage vigorously in these negotiations and help lead the world toward a new era of global cooperation on climate change,” there is room for optimism in terms of the COP 15 outcomes.

In the midst of this general economic pessimism, **what can happen to ODA flows?** Despite the reaffirmation of the Monterrey Consensus at the recent Doha Conference on Financing for Development and the renewed commitments by the EU countries to comply with the target of 0.51% by 2010 (EU average 0.56%) and 0.7% by 2015 for the achievement of the internationally agreed goals – including the MDGs, budgetary pressure may lead to a slowdown of ODA flows. History teaches us that after each previous financial crisis in a donor country since 1970, the country's aid has declined: for instance Japan after its real estate and stock bubble burst in 1990 lowered its aid, and so did Finland, Norway and Sweden after their shared crisis in 1991. At a midpoint for the achievement of the MDGs, a boost of ODA is necessary to allow significant progress.

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