*Session document*

14.8.2009 B7-xxxx/2009

# MOTION FOR A RESOLUTION

further to Question for Oral Answer B7-xxxx/2009

pursuant to Rule 115(5) of the Rules of Procedure

on the effects of the global financial and economic crisis on developing countries and on development cooperation

**Eva Joly**
on behalf of the Committee on Development

**B7-xxxx/2009**

**European Parliament resolution on the effects of the global financial and economic crisis on developing countries and on development cooperation**

*The European Parliament*,

- having regard to the G20 summit held in London on 2 April 2009 and its statement on the Global Plan for Recovery and Reform,

- having regard to the UN Millennium Declaration of 8 September 2000, which sets out the Millennium Development Goals (MDGs) as criteria established jointly by the international community, inter alia, for the elimination of poverty and hunger,

- having regard to the report of the World Bank and the International Monetary Fund (IMF) entitled "Global Monitoring Report 2009: A Development Emergency" published in April 2009,

- having regard to the report of the World Bank entitled "Global Development Finance: Charting a Global Recovery 2009" published in June 2009,

- having regard to the UN Conference on the World Financial and Economic Crisis and its impact on development and the adoption of the outcome of the conference by the UN General Assembly by Resolution 63/303 of 9 July 2009,

- having regard to the Commission Communication of 8 April 2009 entitled "Supporting developing countries in coping with the crisis" (COM(2009)0160),

- having regard to the General Affairs and External Relations Council Conclusions of 18 May 2009 on Supporting developing countries in coping with the crisis ,

- having regard to its resolution of 14 March 2006 on the strategic review of the International Monetary Fund[1],

- having regard to the study by Professor Ngaire Woods on the International Response to the global crisis and the reform of the international financial and aid architecture[2],

– having regard to the question of 3 September 2009 to the Commission on the effects of the global financial and economic crisis on developing countries and on development cooperation (O-xxxx/2009 – B7-xxxx/2009),

– having regard to Rules 115(5) and 110(2) of its Rules of Procedure,

1. Stresses that developing countries did not cause the global financial and economic crisis,

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[1] OJ C 291 E, 30 November 2006, p. 118.
[2] Study commissioned by Parliament's DG EXPO Policy Department, publication forthcoming.

but are disproportionally affected by it, facing dramatically decelerating growth and employment, negative impacts on balance of trade and balance of payments, a sharp reduction of net private capital inflows and foreign direct investment, reduced access to credit and trade financing, declining remittances, large and volatile movements in exchange rates, collapsing reserves, increased volatility and falling prices for primary commodities, as well as reduced revenues from tourism;

2. Shares the assessment of UN Secretary General Ban Ki-Moon that the global financial crisis has caused a development emergency, putting at risk and even reversing hard-won progress towards reducing poverty, hunger, and child mortality, and towards increasing primary education, gender parity, access to safe water and sanitation – in short, the global financial crisis is jeopardising progress towards the MDGs;

3. Notes with great concern that the crisis already bears major human costs, and has devastating effects for the vulnerable in the poorest countries with an expected increase of 23 million more unemployed, up to 90 million more extreme poor in 2009 alone and 200 000 - 400 000 more infant deaths per year on average between 2009 and 2015, the MDG target year in developing countries;

4. Stresses that many developing countries find that every source of their development financing has been affected by the crisis and will be unable to safeguard their hard-won economic gains without extensive external support;

5. Welcomes the recognition by the G20 of its "collective responsibility to mitigate the social impact of the crisis to minimise long-lasting damage to global potential" and their reaffirmation of existing aid pledges and promises of new resources, including USD 50 billion to support social protection, boost trade and safeguard development in low income countries, a significant increase in crisis support in developing countries and more resources for social protection for the poorest countries;

6. Expresses its concern that the promised financial means will not be sufficient, will not be focussed on the neediest countries, and will be neither flexible nor rapid enough to make the necessary difference for developing countries;

7. Welcomes the increase of resources made available to the IMF and other international financial institutions; welcomes, furthermore, the recent reforms of the IMF including the increased role of the emerging countries, the "streamlining" of the IMF's conditionality as well as the stronger focus on tailoring conditions to countries' specific circumstances; considers, however, that the additional Alternate Director is not sufficient to improve the weight and representation of developing countries and encourages further reforms;

8. Is strongly concerned about the fact that, as of July 2009, 82 % of the newly loaned resources of the IMF have gone to European area countries, and just 1,6 % have gone to countries in Africa which is an indication that most of the available resources might be devoted to high-income emerging markets and middle-income countries that are likely to be able to repay the loans they receive;

9. Calls for a rapid implementation of the additional USD 6 billion in concessional and flexible finance for the poorest countries resulting from sales of IMF gold reserves; notes

with great concern the IMF's estimates that it can provide only around 2 % of low-income countries' (gross) external financial needs, which highlights the need for other institutions and donors to provide further concessional resources and grants;

10. Regrets that while an effective crisis response would require a new and large injection of resources, and in spite of the G20 pledges to make "available resources for social protection for the poorest countries, including through investing in long-term food security and through voluntary bilateral contributions to the World Bank's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund", the World Bank was left to react mainly through its own existing resources and facilities;

11. Notes with great concern that this resulted in the World Bank's inability to respond to a number of countries which have been rendered particularly vulnerable by the crisis, but which do not fit the eligibility criteria for the International Bank for Reconstruction and Development (IBRD) or the International Development Association (IDA) or allocation models requiring borrower creditworthiness and a record of "good performance"; considers that this mismatch in funding highlights core problems with the World Bank's governance which minimises risks to the institution and its non-borrowing members, at the cost of its needy developing country members;

12. Stresses that the inability of the Bretton Woods institutions to respond to the needs of the low-income countries to cope with the crisis is mainly caused by overdue governance reforms of those institutions to enhance the institutions' relevance, legitimacy, effectiveness and their sensitivity and responsiveness to developing countries; calls for such reforms to be made urgently;

13. Requests the EU and its Member States to take up their responsibility as major international players to work towards a rapid implementation of the necessary reform of the Bretton Woods institutions, and in the meantime to fill the serious gaps in crisis-response by the G20, the IMF and the World Bank by delivering aid to developing countries fast and ensuring rapid disbursement to countries whose investments in meeting the MDGs are now at risk due to an external shock, namely the financial crisis entirely outside of their reckoning and control;

14. Welcomes the EU's plans to frontload EUR 8,8 billion of development aid, budget support and agricultural financing for immediate action and the proposed EUR 500 million to support social spending in developing countries through the ad hoc vulnerability FLEX mechanism for ACP countries; recommends focusing budget support on the fields of health, decent work, education, social services and green growth in the form of sectoral budget support;

15. Notes, however, that apart from EUR 100 million for the EU-Africa Infrastructure Trust Fund, all other spending comes from pre-existing commitments and calls for greater additional funding; expresses concern about how the Commission will fill the funding gap in future years caused by frontloading budget support now;

16. Stresses that Official Development Assistance (ODA) volumes are not sufficient to meet the vastly increased needs in developing countries caused by the crisis and calls upon the

Commission co come up with new proposals for innovative funding mechanisms;

17. Calls upon the EU to ensure that appropriate global regulatory arrangements are put in place to prevent a further financial crisis from occurring;

18. Instructs its President to forward this resolution to the Council, the Commission, the UN organisations, the IMF and the World Bank, as well as the IMF and World Bank Governors of the EU Member States.