

Impact of the crisis on Developing countries and OECD/DAC response



By Andrew Rogerson, Special Counsellor
DCD/AAF

19 June 2009

Scope

- Uncertainty and Diversity
- Funding needs and Horizons
- A better international response
- DAC Action Plan

Uncertainty and Diversity of Impacts

- Crisis overlay on long-term vulnerabilities:
 - Structural weaknesses: sensitivity to shocks at all levels.
 - Pre-existing crises, especially food and fuel.
 - Weak safety nets and fragile human capital.
 - Climate change: a growing source of vulnerability.
- Wide variety of starting conditions, transmission channels, resilience or sensitivity to external second-round shocks
- Huge uncertainty about the true picture unfolding and duration/strength of recovery
- Evidence based monitoring needed. Disaggregation by group, gender.

Funding needs and horizons

- A fact: Crisis likely to further delay MDGs:
 - LDCs, especially in Africa already falling short of MDGs.
 - Set back incurred now: additional 53mln people caught in poverty trap (<\$1.25 a day).
 - Recovery must not mean a return in 2011 to 2007 development indicators.
- Short-term external financing needs to safeguard health and education spending: \$42bn (WB).
- Macro-economic stability: \$25bn (LICs) - \$700bn (all developing countries).
- Aid as potential bridge to better LT growth.



A better international response

- Challenge for partner countries both to mitigate short-term pressures and move towards strong, clean and fair growth and sustainable recovery
- Key intersects: microfinance, social safety nets, infrastructure maintenance
- Comparative advantages, redeployment, employment generating growth, low-carbon growth.
- Global incl. IFIs measures to respond to the crisis (key milestones: G20, Spring meetings, G8, upcoming UN conference, UNGA):
 - However major questions on predictability and concessionality of IFIs resources and rise of thematic funds, their additionality/complexity.
 - Recent ODA performance encouraging but only renewed efforts to bring global targets within reach – For Africa extraordinary steps needed.

DAC Action Plan

- Objective: Coherent approach to support low-income countries coping with the crisis by:
 - Meeting existing aid commitments, in particular in Africa.
 - Helping finance both short- and long-term priorities.
 - Making the most effective possible use of aid: Accra Agenda is central
 - Financing international institutions in a timely and predictable manner
 - Tackling the crisis using all instruments available, not just official aid:
 - DAC to benchmark non-ODA development financing for greater synergies (IF, climate change etc.).



Thank you for your kind attention.