



**ON BEHALF OF THE EUROPEAN COMMUNITY**

**STATEMENT BY**

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**UN CONFERENCE ON FINANCIAL AND ECONOMIC CRISIS AND ITS IMPACT  
ON DEVELOPMENT**

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**Check against delivery**

## I. Global crisis, global response

*The crisis has serious global impacts...*

- In places like Europe, or here in the US, the crisis means economic downturn, unemployment, stagnation. **In the poorest, most vulnerable countries the crisis brings regression of the progress acquired with major efforts during the last decade**, it brings increased human suffering, poverty and hunger, it brings instability and extreme fragility of states and communities.
- The crisis shows how deeply the prosperity and the future of the advanced economies, the emerging economies and the developing countries are linked and interdependent through globalisation. The crisis also reveals what globalisation means in its present, unregulated reality. We have therefore to face all this with the determination to create the conditions for a more equal and regulated globalisation and the strong commitment to fight poverty and exclusions as a necessary element of a sustainable solution.
- It is undeniable that the **third wave of the economic and financial crisis has reached the shores of the developing world**, hitting these countries much harder than we expected only some months ago. Additionally, the forecasts for the second half of 2009 and for 2010 look gloomy. There is a serious risk that years of sustained efforts and achievements by developing countries and the whole international community would unravel. Therefore our response must be resolute.

*...and it demands quick, resolute and global responses.*

- The G20 meeting in London confirmed the need for a global response and took a number of steps in the right direction. **But to make the difference, more concrete action must be taken now.**
- It is clear that, while the crisis affects countries and regions in different ways, no country can escape from the impacts of the crisis and **no country can ensure successful recovery on its own**. It is clear that no single country - in Europe or elsewhere - can go it alone. We need each other, more than ever. So more than at any other time, we must work together -- or fall apart. **This is not the moment to settle accounts or to play the blame game.** We have a shared responsibility in addressing all these issues. The

cooperation and contribution of all - developed, emerging and developing-countries is needed. The United Nations is an appropriate forum to discuss this cooperation.

## II. Europe has shown, is showing and will show leadership

- I believe that the **leadership and commitment of the European Union are crucial in the global response to the crisis**. This is why the European Commission proposed on 8 April a number of concrete, targeted and timely and coordinated actions for the European Union to support the developing world in coping with the crisis. These proposals were to a large extent endorsed by the EU Council on 18 May. I'd like to highlight some of the main elements:

### *1. Keeping our promises, leveraging other resources*

- First, the crisis is one more reason to respect our promises for increased development aid. Increasing ODA is the best anti-crisis measure one could imagine. This remains the backbone of our action. The European Union has demonstrated its determination by increasing its annual aid to 49 billion € (\$68 billion) in 2008 which is 0.40% of the EU Gross National Income. Of course, this effort needs to be maintained and even intensified to reach the targets the EU set itself for 2010 and 2015. I encourage **other donors to assume their responsibilities** and translate promises to actions.
- At the same time the crisis shows us the need to **use aid better**. More than ever, it is possible – and necessary! - for development aid to act as a catalyst, attracting investment, promoting technology transfer and facilitating trade. Innovative sources of financing are to be expanded and translated into systemic action.

### *2. Targeting the vulnerable, supporting real economy*

- Secondly, the crisis requires partners to discuss priorities.
- On the one hand, more should be done to protect the most vulnerable. It is estimated the crisis hits 100 million people more in poverty in 2009. Protecting them is a top priority. Concretely, the European Commission made the proposal, now agreed by the Council, to set up of a "EU Vulnerability FLEX" instrument to assist those developing countries worst hit by the downturn in trade and falling revenues.

- This instrument focuses on ensuring social safety net spending. It will act counter-cyclically, based on forecast export losses and other vulnerability criteria, helping to cushion the blow rather than acting after the event. **This EU vulnerability instrument is one of the rare concrete tools that could make a real difference on the ground in the short run and help those hardest hit by the crisis, especially given that the resources decided upon by the G-20 will take time to be mobilised. The instrument will work in full complementarity with the World Bank, the IMF and the Regional Development Banks.**
- On the other hand, we should do more to support the real economy. Our investment in infrastructure is a good example of this demarche. **The European Union will reinforce and reshape the EU-Africa Infrastructure Trust Fund.**
- The European Commission envisages to increase the grant capital together with the EU Member States to a total of **€500 million by 2010** which will allow mobilise additional funding of €2.5 billion in loans. These regional infrastructures, identified by the African Union and the Regional Economic Communities, create a backbone and links in and to Africa, for example by financing
  - part of the 10 000 kilometre submarine optical fibre cable along the Eastern coast of Africa, which will enable all countries in East Africa to have a high speed connection to the rest of the world.
  - hydro power plants in Western Africa (Felou Dam) and Central Africa (Ruzizi).
- Therefore, **1 billion is being mobilised by EU institutions** to act to protect and support the most vulnerable countries. **This follows the 1 billion of additional funding delivered through the new Food Facility** and now fully operational, created to help re-launching agricultural production in developing countries.
- The crisis does not call for a fundamental rethink of our trade policy. In essence, the world must keep trade flows open and avoid a return to the protectionism which proved so damaging in previous downturns.

### *3. Making aid more effective*

- Thirdly, the crisis should push us to further **free up resources through efficiency gains**. The EU is working hard to demonstrate to our partners the concrete value of this agenda.

- Worldwide, 225 bilateral and 242 multilateral agencies fund hundreds of thousands of activities each year. In 108 countries, more than ten EU donors are providing *country programmable aid at the same time*. EU donors fund around 60 000 projects with an average annual contribution in 2007 of only €400 000 to €800 000 per activity. This **fragmentation is not acceptable**, not politically, nor morally.
- To promote aid effectiveness the European Commission is taking and proposing concrete actions in 2009, including:
  - We propose **codes of conduct / joint approaches** on issues such as global and vertical funds, the use of country systems and technical assistance.
  - We will accelerate **joint programming, enhance complementarity among EU-donors and concentrate activities** further through division of labour and delegated cooperation. This is a collective endeavour with collective benefits.
- Moreover, as the crisis risks being with us for some time still, the predictability of our support is key.

#### *4. From donorship to partnership*

- However, these efforts will not be enough to lift developing countries out of the crisis. National measures by developing countries themselves are needed to mobilise domestic resources, and stimulate private sector activities and growth.
- **Good governance, including in the fiscal area, will increase domestic financial resources for development.** Establishing sound macroeconomic and regulatory environment is the best incentive for attracting foreign investment and reducing domestic capital flight.
- The national governance agenda should be enhanced by **strengthening of regional integration processes**. 50 years of European integration show integration is key for stability, prosperity and economic progress. Uncoordinated, or even competing national plans can have a detrimental effect on neighbouring countries and worsen the economic recession. Conversely, regional integration and cooperation, in particular the promotion of intra-regional trade and free movement of goods, services, persons and capital, will help mitigate the longer-term effects of the crisis, and consolidate response over time.

- Lastly, let me, once again, underline that, for the real economy to keep going, we must **keep trade flows open** and avoid a return to the protectionism which proved so damaging in previous downturns. Concluding the Doha Round would be an excellent means of showing that the WTO's 153 Members are serious about keeping trade open. The DDA is the best short term multilateral response that we have available; the parameters of a deal are clear. The value of the DDA has increased dramatically as an agreement which would provide an effective insurance mechanism against protectionism and lock-in existing levels of openness, while creating some additional market access opportunities.

### **III. The UN is needed**

- This UN conference is a **milestone event in the string of international events and processes** dealing with the financial and economic crisis. This UN event is unique for two reasons: 1. It is the first major event so far with focused on the development impact of the crisis; and 2. It is the only event with global and universal participation that only an UN event can provide.
- The UN should have a key role in the efforts to help developing countries tackle a variety of global social, economic, financial and environmental challenges caused by the current crisis.
- I therefore hope and I believe that the participants of this UN conference share the determination of the European Commission and the European Union to make this event the success that is needed.