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

2009/2635(RSP) - 08/10/2009 - Text adopted by Parliament, single reading

Following the debate which took place during the sitting of 14 September 2009, the European Parliament adopted a resolution on the effects of the global financial and economic crisis on developing countries and on development cooperation.

Firstly, Parliament stresses that developing countries did not cause the global financial and economic crisis, but are disproportionally affected by it. It is greatly concerned that this crisis, which follows so closely on the heels of the food and fuel price crises, has devastating implications for the vulnerable in the poorest countries, with an expected increase of 23 million in the unemployment rate, up to 90 million more extreme poor in 2009 alone, life-saving drug treatment for up to 1.7 million HIV sufferers under threat, and between 200 000 and 400 000 more infant deaths per year on average between 2009 and 2015, which is the MDG target year in developing countries.

Parliament expresses serious concern at the fact that **aid from some EU Member States fell in real terms in 2008**. It calls on Member States to fulfil their official development assistance (ODA) commitments by 2010. Members welcome the EU's plans to frontload EUR 8 800 million 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 African, Caribbean and Pacific (ACP) countries. They recommend focusing budget support on the fields of health, decent work, education, social services and green growth in the form of sectoral budget support. They urge the EU and its Member States to meet the financial commitments outlined in the EU Agenda for Action on the MDGs. Parliament regrets, 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. It expresses concern about how the Commission will fill the **funding gap caused in future years by frontloading budget support** now.

It goes on to stress that ODA volumes are not sufficient to meet with the urgency that the scale of the crisis demands the vastly increased needs it is creating in developing countries, and calls upon the Commission and the Member States to abide by their international commitments and contribute towards meeting the MDGs. The Commission is asked come up with new proposals for innovative funding mechanisms. Parliament recommends that **economic partnership agreements** (EPAs) be used as a means of meeting development needs by giving ACP countries a commercial advantage and fostering the achievement of the MDGs, while allowing ACP countries to leave sensitive products and sectors, such as investment and services, out of the negotiations. It points out that EPAs must serve as a means of fostering regional integration and boosting the economies of ACP countries, and that funding pledges must be honoured. Members also stress that the European Investment Bank (EIB) has to be far more actively and transparently involved as a frontrunner in the development of novel financing mechanisms. They urge the Commission to take a leading role in the swift enhancement of those mechanisms, including micro- and meso-credit, in particular in order to offer access to financing to vulnerable groups such as women and farmers. The resolution also emphasises the importance in development terms of policy coherence in areas such as the economy, trade, the environment and agriculture, in order to prevent the global financial and economic crisis from having even more serious effects in developing countries.

Parliament notes the increased resources made available to the IMF and other international financial institutions, but is gravely concerned about the fact that, as at July 2009, 82 % of the newly loaned IMF resources had gone to European countries, and just 1.6% to countries in Africa. This is an indication that **most of the available resources might be being devoted to high-income emerging markets** and middle-income countries that are likely to be able to repay the loans they receive. It calls for rapid implementation of the additional USD 6 000 million in concessional and flexible finance for the poorest countries resulting from **sales of IMF gold reserves.** Members note with great concern the IMF's estimates that it can meet only around 2% of low-income countries' external financial needs, which highlights the need for other institutions and donors to provide further concessional resources and grants.

Parliament also notes that the World Bank is unable to respond to a number of countries which have been rendered particularly vulnerable by the crisis but do not meet the eligibility criteria. It stresses that the inability of the Bretton Woods institutions to respond to the needs of low-income countries, in relation to coping with the crisis, is caused mainly by the failure to make long-overdue reforms to the governance of those institutions. Members request the EU and its Member States to take up their responsibility as major international players to work towards rapid implementation of the necessary **reform of the Bretton Woods institutions**, and in the meantime to fill the serious gaps in the response being made to the crisis by the G20, the IMF and the World Bank by swiftly delivering aid to developing countries and ensuring rapid disbursement to countries whose investments in meeting the MDGs are now at risk due to an external shock, namely a financial crisis unforeseen by them and beyond their control.

Lastly, the resolution calls on the EU to take action to eradicate abuses of tax havens, tax evasion and illicit capital flight from developing countries. It calls therefore for a new binding global financial agreement which forces transnational corporations automatically to disclose the profits made and the taxes paid on a country-by-country basis, so as to ensure transparency on what they pay in every developing country in which they operate