Foreword

The title of this year's *Global Monitoring Report* is "A Development Emergency." Appropriately so. We are in the midst of a global financial crisis for which there has been no equal in over 70 years. It is a dangerous time. The financial crisis that grew into an economic crisis is now becoming an unemployment crisis. It risks becoming a human and social crisis—with political implications. No region is immune. The poor countries are especially vulnerable, as they have much less cushion to withstand events. This poses serious threats to the hard-won gains in boosting the economic growth of many developing countries, especially in Africa, as well as achieving progress toward the Millennium Development Goals (MDGs). It also poses a threat to global recovery, because developing countries can provide a growth platform to help the global economy pull out of the crisis.

Middle-income countries were the first among developing countries to feel the impact of the financial crisis, given their heavier reliance on private capital flows. Private capital flows to the developing world are seeing their sharpest decline in many decades. Both middle- and low-income countries will be hit hard in 2009 by a second wave of effects reflecting the global recession and declining world trade. Poor countries will be affected through reductions in export volumes, commodity prices, remittances, tourism, foreign direct investment, and possibly even foreign aid. These shocks will hurt public revenues, constricting fiscal space for public programs.

Economic growth in developing countries has declined sharply to the lowest rates for some decades; per capita incomes will fall in many countries. Sub-Saharan Africa will see a rise in the poverty count in 2009, with the more fragile and low-growth economies especially at risk. Globally, we estimate that because of the crisis there will be more than 50 million additional people living in extreme poverty in 2009 than expected before the crisis, compounding the impact from soaring food and fuel prices of recent years.

These numbers have a human face. We estimate that as a result of sharply lower economic growth rates, about 200,000 to 400,000 more babies may die each year. School enrollments will suffer—especially for girls. The prospect of reaching the MDGs by 2015, already a cause for serious concern, now looks even more distant.

A global crisis requires a global solution. The crisis began in the financial markets of developed countries, so the first order of business must be to stabilize these markets and counter the recession that the financial turmoil has triggered. This calls for timely, adequate, and coordinated actions by developed countries to restore confidence in the financial system and counter falling demand. At the same time, we need strong and urgent actions to counter the impact of the crisis on developing countries by helping them to boost growth while protecting the poor. The report sets out six priority areas for action to confront the development emergency that now faces many of these countries.

First, we must ensure an adequate fiscal response in developing countries to protect the poor and vulnerable groups and to support economic growth. Priority areas must be strengthening social safety nets and protecting infrastructure programs that can create jobs while building a foundation for future productivity and growth. The precise fiscal response needs to be tailored to individual country circumstances, consistent with maintenance of macroeconomic stability. Second, we must provide support for the private sector and improve the climate for recovery and growth in private investment, including paying special attention to strengthening financial systems. Helping small and medium enterprises get access to finance for trade and investment is vital for job creation. But the crisis has also underscored the importance of broader reforms to improve the stability and soundness of the financial system. Third, we must redouble efforts in human development and recover lost ground in progress toward the MDGs. We can do this not only by strengthening key public programs for health and education, but also by better leveraging the private sector's role in the financing and delivery of services.

In support of these efforts to help developing countries, the report emphasizes three key global priorities. Donors must deliver on their commitments to increase aid. Indeed, the increased needs of poor countries hit hard by the crisis call for going beyond existing commitments. National governments must hold firm against rising protectionist pressures and maintain an open international trade and finance system. Completing the Doha negotiations expeditiously would provide a much-needed boost in confidence to the global economy at a time of high stress and uncertainty. Finally, multilateral institutions must have the mandate, resources, and instruments to support an effective global response to the global crisis. The international financial institutions will need to play a key role in bridging the large financing gap for developing countries resulting from the slump in private capital flows, including using their leverage ability to help revive private flows.

World leaders made important progress in coordinating a global response to the crisis at the recently held summit of the Group of Twenty countries. This must be followed by strong, concerted actions. The need for international cooperation has never been greater.

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Abbreviations

ACP	African, Caribbean, and Pacific countries
ADB	Asian Development Bank
AfDB	African Development Bank
AIDS	Acquired immune deficiency syndrome
AMC	Advanced Market Commitment
CCT	Conditional cash transfer
CDM	Clean Development Mechanism
CERs	Certified emissions reductions
COMPAS	Common preference assessment system
CPA	Country programmable aid
CPIA	Country Policy and Institutional Assessment
CRS	Creditor Reporting System (of the OECD DAC)
CSR	Corporate social responsibility
DAC	Development Assistance Committee
DRF	Debt Reduction Facility (of the World Bank)
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EITI	Extractive Industries Transparency Initiative
FAO	Food and Agriculture Organization (of the UN)
FDI	Foreign direct investment
FSAP	Financial Sector Assessment Program
G-8	Group of Eight
G-20	Group of Twenty
GAVI	Global Alliance for Vaccines and Immunizations
GDP	Gross domestic product
GEF	Global Environmental Facility
GFATM	Global Fund to Fight AIDS, Tuberculosis, and Malaria
GHG	Greenhouse gases
GNI	Gross national income
HIPC	Heavily indebted poor country/countries
HIV	Human immunodeficiency virus
IBRD	International Bank for Reconstruction and Development
ICP	International Comparison Program
IDA	International Development Association (of the World Bank)
IDB	Inter-American Development Bank
IEA	International Energy Agency
IFC	International Finance Corporation
IFI	International financial institutions

IFFIm	International Finance Facility for Immunizations
IHP	International Health Partnership
ILO	International Labour Organization
IMF	International Monetary Fund
ITC	International Trade Centre
LDCs	Least-developed countries
MDBs	Multilateral development banks
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MFIs	Microfinance institutions
MSE	Micro- and small enterprise
NAMA	Nonagricultural market access
NEPAD	New Partnership or African Development
NGOs	Nongovernmental organizations
NTM	Nontariff measure
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OTRI	Overall Trade Restrictiveness Index
PFM	Public financial management
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Purchasing power parity
PTA	Preferential trade agreement
SIAP	Sustainable Infrastructure Action Plan
SME	Small and medium enterprises
SWF	Sovereign wealth fund
TTRI	Tariff Trade Restrictiveness Index
UN	United Nations
UNDP	UN Development Programme
UNFCCC	UN Framework Convention on Climate Change
WFP	World Food Programme
WHO	World Health Organization
WTO	World Trade Organization