



Federal Ministry
for Economic Cooperation
and Development

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Deutsches Institut für
Entwicklungspolitik



German Development
Institute

inWent

Capacity Building International
Germany

Effects of the Global Financial Crisis on Developing Countries and Emerging Markets

**Conference organised by
InWEnt – Capacity Building International
and the
German Development Institute (DIE)
on behalf of the
German Federal Ministry for Economic Cooperation and Development (BMZ)**

**11 December 2008
InWEnt Conference Center, Stresemannstr. 92, 10963 Berlin**

Background

Since the financial crisis spilled over from the US and hit Europe with full force in September 2008, the effects of the crisis have become increasingly felt also in developing and emerging countries. Although it remains unclear for the time being how stark the consequences for developing and emerging countries will be, it has become evident that a decoupling from the industrialised world has not taken place. Still there remains some hope that growth in major emerging markets like China and Brazil will, despite crisis-related slowdowns, remain robust and thus help to stabilise the world economy.

There are several transmission channels by which the financial crisis is spreading around the world. With liquidity drying up and financial institutions around the world being under stress and withdrawing funds from wherever they can to remain liquid, it has become difficult if not impossible for many countries to refinance themselves in international financial markets. Capital flows to many developing and emerging countries have dried up or even reversed, putting depreciation pressure on exchange rates and raising the cost of credit. Moreover, with recession looming in the industrialised world – which accounts for more than sixty percent of world output – exports from developing and emerging countries will take a hit. A slowdown of world growth will also affect energy and commodity prices, which will hurt energy and commodity exporting countries while importers will get some relief. Last but not least, the crisis has already affected remittance flows from industrialised to developing countries, an important source of income for many countries.

Against this backdrop, the conference will bring together experts from academia, government and international organisations to discuss the impacts of the global financial crisis on developing and emerging countries, and on vulnerable groups in these countries in particular. It shall also provide a platform for discussion of appropriate policy responses, both short term to avoid hardship among vulnerable groups as well as reform-measures aimed at preventing future crises.

Programme (as of 04 December 2008)

9:00 – 9:30 **Opening and welcome**

- Speaker:
- **Gudrun Kochendörfer-Lucius**, Managing Director, InWEnt – Capacity Building International, Berlin
 - **Peter Wolff**, Head of Department, World Economy and Development Financing, German Development Institute (DIE), Bonn
 - **Paul Garaycochea**, Head of Division, World Bank, IMF, Debt Issues and Financial Architecture Division, Federal Ministry for Economic Cooperation and Development (BMZ), Berlin

9:30 – 12:00 **Session 1: Effects on growth and development**

Although the full effects of the crisis for the real economies of the industrialised world are not clear yet, most predictions point to a recession in the US and large parts of Europe. Given the uncertainties that pertain regarding the crisis effects on the real economies of the industrialised countries, it is even harder to accurately predict the casualties that will be sustained in developing and emerging countries. This session will provide a platform for discussing the growth outlooks for Africa, Asia, Eastern Europe and Latin America. The following questions shall be addressed: (i) What have been the effects to date on financial markets, trade, income and growth in developing and emerging countries? (ii) What are major risks that developing and emerging countries are exposed to and which countries are particularly vulnerable? (iii) What are possible contagion effects between the regions mentioned? (iv) What immediate measures can be / should be taken to avoid recessions?

Chair: **Günther Taube**, Head of Department, International Regulatory Framework, Good Governance, Economic Policy, InWEnt – Capacity Building International, Bonn

- Speakers:
- **Uri Dadush**, Director, Development Prospects Group, The World Bank, Washington DC
 - **Krishna Srinivasan**, Head of Multilateral Surveillance Unit, Research Department, International Monetary Fund (IMF), Washington DC
 - **Louis Kasekende**, Chief Economist, African Development Bank (AfDB), Tunis
 - **Esteban Pérez**, Economic Affairs Officer, Development Studies Unit, Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL), Santiago de Chile
 - **Ralph de Haas**, Senior Economist, Office of the Chief Economist, European Bank for Reconstruction and Development (EBRD), London

10:30 – 10:50 **Coffee break**

12:00 – 13:00 **Buffet lunch**

13:00 – 14:30 **Session 2: Socio-economic consequences of the crisis**

This session will turn to the socio-economic consequences of the crisis and focus on the crisis impacts for vulnerable groups in developing and emerging countries. In particular, this session will discuss whether the financial crisis will worsen the food crisis many developing countries have been coping with over the past year and whether the crisis will put at risk the achievement of the Millennium Development Goals (MDGs) to halve poverty, improve education, and combat child mortality, among others, by 2015. The following questions will be discussed: (i) What effects will a slowdown of exports and growth have on the poorest segments of society in developing countries? Can the MDGs still be met? (ii) Will a credit crunch in these countries worsen liquidity and financing conditions of SMEs and lead to

higher unemployment? (iii) Will there be different effects for rural and urban population? (iv) What consequences are to be expected via price changes in international energy and commodities/food prices? (v) What immediate policy responses are needed?

Chair: **Peter Wolff**, Head of Department, World Economy and Development Financing, German Development Institute (DIE), Bonn

Speakers:

- **Marilou Uy**, Sector Director, Financial and Private Sector Development, The World Bank, Washington DC
- **Ralf Südhoff**, Head of Office, The United Nations World Food Programme (WFP), Berlin
- **Tobias Kahler**, Director, One Germany, Berlin
- **Zhang Jun**, Professor of Economics, Director of China Center for Economic Studies, Fudan University, Shanghai
- **Don Mitchell**, Lead Economist, Development Prospects Group, The World Bank, Washington DC
- **Francis Ikome**, Programme Director - Multilateral, Institute for Global Dialogue (IGD), Midrand

14:30 – 15:00 **Coffee break**

15:00 – 18:00 **Session 3: Policy responses to the crisis**

A crisis of a scale unprecedented in financial history, swift and decisive policy action had to be taken in the US and Europe to prevent the worst from happening. Forceful policy responses to contain the crisis will also be needed in several developing and emerging countries, some of which will require international assistance. This session will discuss what policy responses will be necessary on a national, regional and global level, and whether the current institutional framework is prepared for this challenge. The following questions shall be addressed: (i) Are the existing national, regional and global crisis response mechanisms adequately equipped to deal with the crisis and if not how can they be improved? Are new regional or global institutions or frameworks needed to better deal with this or future crises? (ii) Are the interests of developing and emerging countries sufficiently taken into consideration in the now developing discourse on the future international financial architecture?

Chair: **Ulrich Volz**, Senior Economist, German Development Institute (DIE), Bonn

Speakers:

- **Dietrich Jahn**, Deputy Director General, Department International Financial and Monetary Policy, Federal Ministry of Finance (BMF), Berlin
- **Hadi Soesastro**, Executive Director, Centre for Strategic and International Studies (CSIS), Jakarta
- **Stephany Griffith-Jones**, Executive Director, Initiative for Policy Dialogue, Columbia University, New York
- **Louis Kasekende**, Chief Economist, African Development Bank (AfDB), Tunis
- **Dirk Willem te Velde**, Research Fellow, Overseas Development Institute (ODI), London
- **Ulrich Benterbusch**, Director, Heiligendamm Process Support Unit, Organization for Economic Cooperation and Development (OECD), Paris
- **Jürgen Zattler**, Head of Directorate, Multilateral and European Development Policy, Federal Ministry for Economic Cooperation and Development (BMZ), Berlin

18:00 **End of the conference**