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"Responding to Global Crises: New Development Paths"

## Presentation

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### **Aid, development finance and international financial architecture**

Breakout Session - Is There a Role for the LDCs in Reshaping Global Economic Governance?

Led by UNCTAD and CUTS International, 10 May 2010

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Overseas Development  
Institute

**Is there a role for the LDCs in  
re-shaping global economic  
governance?**

***Aid, development finance and  
international financial  
architecture***

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**UNCTAD symposium, 10 May 2010**

# Outline

- ❑ The global financial crisis has led to a rethink in aid, development finance and global economic issues;
- ❑ What are new challenges in aid and development finance?
- ❑ The new global economic issues have major effects on LDCs/LICs, but
- ❑ LICs do not feature prominently in fora such as G20 that deal with these issues.

# Aid and development finance

## *New challenges*

- ❑ New budgetary pressures for traditional donors. Net aid by OECD DAC donors rose 0.7% in 2009 to USD 120 billion. Up in BG, DK, FN, FR, LX, SW and UK. Down in AU, GE, GR, IR, IT, NL, PO, SP. Total is USD 18 bn below the 2005 Gleneagles plans for 2010.
- ❑ Public DFIs (IDA, IMF etc) increased in 2009 (good year for multilateral bodies?), private sector DFIs (IFC, CDC, DEG) declined
- ❑ New priorities (GPGs, dealing with crises, countercyclicality, fragile states)
- ❑ Emerging markets
- ❑ Working with the private sector, Aid for Trade
- ❑ Measuring results

# Global economic issues affect LDCs

- ❑ Rebalancing global imbalances; location (e.g. China, Germany, US) and type of growth.
- ❑ G20 exchange rates
- ❑ G20 fiscal and monetary stimuli (growth spillovers)
- ❑ Bank levies, capital adequacy ratios and pricing of risk
- ❑ Rules on equity finance
- ❑ G20 provision of liquidity (less: trade finance) and trade issues (not a lot of new protectionism)

→ Where is the voice of LDCs in all of these?

# Global governance, G20 and LDCs

- ❑ G20 here to stay. It foremost needs to focus on *strong, sustainable and balanced growth among G20*, but
- ❑ It needs to improve links with the private sector, and
- ❑ Find ways to formally consider LIC country issues, e.g.
  - Consider seats at G20 table (as in London 2 April 2009)
  - Consider impact of G20 policies, including by emerging markets, on LICs/LDCs
  - G20 to consider development impact when deciding / implementing policies (new policy coherence)

**Thank you**  
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LDCs and global economic governance