The global economic crisis and the least developed countries: citizen's concerns

The Least Developed Countres (LDCs) are in the forefront of those bearing the brunt of the global economic crisis. In LDC countries the economic crisis translates into food, fuel, climate, debt, development and political crises. A fundamental transformation of the global financial architecture is needed: for many people living in poverty in LDCs, the current model of economic growth has brought little benefit, if any. The global economic crisis must be used as an opportunity to bring about real transformation in the global system so that everyone on this planet is offered better opportunities to lead meaningful and secure lives.

Arjun Karki
LDC Watch

As defined by the United Nations, there are 49 Least Developed Countries (LDCs) in the world,[1] which are home to about 750 million people. The ever-increasing wave of neoliberal globalization has continuously threatened the life and livelihood of the people living in these LDCs. In general, the LDC economy is characterized by an increasing debt burden, economic shocks, hunger, and human rights violations, including gender injustice, conflicts, weak governance, and inherent environmental vulnerabilities.

The current global economic crisis has not only shaken the foundations of the largest economies, stock markets and the most influential financial institutions around the globe, but also has put the already fragile small economies of the LDCs into peril, pushing millions of poor women, men and children into poverty and hardship. While the economic crisis resulted from the fallibility of the rich, industrialized and developed countries, the LDCs are in the forefront of those bearing the brunt of it. In LDC countries, the economic crisis has also fed into the current food, fuel, climate, debt, development and political crises.

Food crisis

Unprecedented food crises, triggered by soaring food prices and leading to "food riots", have shaken over 30 LDCs, where workers and peasants have become unable to afford food items basic for survival. Protests over grain prices in Haiti, Cameroon, Senegal, the Ivory Coast, Mozambique, Ethiopia, Madagascar, Mauritania and other parts of Africa and a hungry children's march in Yemen are some examples.[2] According to the Food and Agriculture Organisation (FAO), 22 countries are particularly vulnerable to the recent food price increases, because they are not only very poor but also are highly dependent on food imports. In 2008-2009 Eritrea has produced only about 30% of its food requirements. UNICEF warned that higher global food prices could be affecting up to 2 million Eritreans, more than half the population. UN agencies have projected that the 1.3 million people living below the poverty line would suffer most. The FAO has warned that increasing prices have "triggered a food crisis" in 36 countries. Again, according to the United Nations World Food Programme (WFP), 12 out of the 16 "hunger hotspot countries" are in the LDCs (Afghanistan, Djibouti, Ethiopia, Guinea, Haiti, Liberia, Mauritania, Nepal, Senegal, Somalia, Uganda, Yemen).[3]

Because the majority of poor people in LDCs spend 70%-80% of their income on food, they are very hard hit by the sharp increases in domestic food prices. The consequences of the food crisis, which the head of WFP has called 'a silent tsunami', include widespread misery and malnutrition for millions of people. The food crisis shows that the existing agro-industrial and market-led approach to food security has totally failed to feed hungry people living in LDCs. A variety of other factors, such as the promotion of corporate farming and the introduction of extreme dependence on external food supplies, lack of productive investments in local agricultural systems, global warming, trade imbalances and trade liberalization are also to blame for food insecurity in developing countries. These factors have led to the present crisis, forcing a billion people to go hungry, drastically reducing biodiversity, and nearly ruining the ecosystem.

Food has been declared a basic human right in a series of World Food Summits and international agreements, including the Universal Declaration of Human Rights (UDHR), the Preamble of the FAO Constitution, and the International Covenant on Economic, Social and Cultural Rights. For nearly two decades, the international community at high-level meetings attended by heads of state and government has repeatedly reaffirmed its commitment to eradicating malnutrition and assuring food security for all. The Rome Declaration on World Food Security in 1992, the World Food Summit Plan of Action adopted in 1996 and affirmed at the five-year review conference in 2002 pledged concerted efforts towards eradicating hunger as an essential first step and set a target of halving the number of hungry people by 2015.[4] The Millennium Summit (2000) and a series of follow-up meetings have reaffirmed commitments to achieving food security and good nutrition for all. Despite the repeated commitments by the world's leaders on the urgent need to reduce hunger and malnutrition, progress in achieving the targets and indicators under the Millennium Development Goals (MDGs) has been extremely disappointing, notwithstanding the great strides that have been made in a number of individual countries. To

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1 Criteria for LDCs: In its latest triennial review of the list of LDCs in 2006, the United Nations Committee for Development Policy (CDP) used the following three criteria for the identification of the LDCs.

(i) A low-income criterion, based on a three-year average estimate of the gross national income (GNI) per capita (under USD 745 for inclusion, above USD 900 for graduation);

(ii) A human capital status criterion, involving a composite Human Assets Index (HAI) based on: (a) nutrition: percentage of population undernourished; (b) health: mortality rate for children aged 5 years or under; (c) education: the gross secondary school enrolment ratio; and (d) adult literacy rate; and

(iii) An economic vulnerability criterion, involving a composite Economic Vulnerability Index (EVI) based on indicators of: (a) population size; (b) remoteness; (c) merchandise export concentration; (d) share of agriculture, forestry and fisheries in gross domestic product; (e) homelessness owing to natural disasters; (f) instability of agricultural production; and (g) instability of exports of goods and services.

To be added to the list, a country must satisfy all three criteria. In addition, since the fundamental meaning of the LDC category, i.e. the recognition of structural handicaps, excludes large economies, the population must not exceed 75 million. To be eligible for graduation, a country must reach threshold levels for graduation for at least two of the three criteria, or its GNI per capita must exceed at least twice the threshold level, and the likelihood that the level of GNI per capita is sustainable must be deemed high. See: <www.un.org/ohrlls>.

With regard to the 2006 triennial review, the CDP recommended that Papua New Guinea be included in, and Samoa be graduated from, the list of LDCs. Equatorial Guinea, Kiribati, Tuvalu and Vanuatu were found eligible for graduation for the first time. The General Assembly in its recent resolutions (59/209, 59/210 and 60/33) decided on the graduation of Cape Verde at the end of 2007 and Maldives in January 2011. At the end of 2007, Cape Verde became the only second country to graduate from the LDC group since its establishment in 1974. Botswana left the group in 1994.

2 Martin Khor, "Global Trends," *The Star Online*, 14 April 2008; see "LDC Watch: Food Crisis: Defending food sovereignty in LDCs," 2008. Available from: <www.ldcwatch.org>.

3 See WFP, "Cash roll-out to help hunger hot spots," Rome, 12 August 2008. Available at: <wfp.org/english/?ModuleID=137&Key=2899>; "UN System Response to the World Food Security Crisis (as of September 2008)"; available from: <www.un.org/esa/sustdev/publications/trends_Africa2008/indx.htm>.

4 See FAO, "International Conference on Nutrition," Rome, 1992; FAO, "World Food Summit Plan of Action, 1996; FAO, World Food Summit: Five Years Later," 2002. Available from: <www.fao.org/worldfoodsummit/english/index.html>.

> “In Kenia we began to see impacts of the crisis late in 2008: reduced tourism followed by unemployment. Many Kenyans also rely on remittances from the U.S., which fell sharply. Due to the crisis, more families can not afford to send their children to school, and foreign investors are moving projects out of the country. Much of the land is going fallow and there were water shortages during the past year. All these factors, combined with the high levels of income inequality and corruption that were already present, are a recipe for disaster for Kenya's people and economy.”
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> *Edward Oyugi (SODNET, Kenya)*

date, the human right to food has been continually denied; food is considered more as an item for trade than as an essential good for survival.

Climate crisis

The concerns of LDCs about food, water and energy security are deepened by the climate crisis that challenges the goals of inclusive and environmentally sustainable economic growth. The LDCs, already plagued by poverty, natural disasters, conflicts and geo-physical constraints, are now at risk of further devastating impacts of climate change, including increased desertification, rising sea levels, increased rainfall and risk of flooding and hurricanes, which will perpetuate the cycles of poverty, food and fuel crises, conflict, inequality, indebtedness and underdevelopment. Even though the people living in the LDCs are the hardest hit by increased climate change, their concerns are rarely heard and addressed in the official negotiation processes at any level. It is therefore important to raise the voice of the climate change victims from the LDCs in the upcoming climate negotiations, including UN Climate Change Conference in Copenhagen in December 2009 (CoP 15), where it is hoped that agreement can be reached on the principles for a new treaty to replace the Kyoto Protocol.

Official Development Assistance (ODA)

Official Development Assistance (ODA) flows in the LDCs are also predicted to decline as governments in developed countries use resources to provide stimulus to their own economies and continue to bail out the financial institutions that have been at the centre of the economic crisis. Since most LDCs continue to be highly indebted, the prospect of reduced aid flows has put pressure on LDC governments to maintain a balance between investing for development and paying back loans, resulting in less resources being directed to development needs. As a result, the LDCs are increasingly facing difficulty in fulfilling the basic economic needs as well as the social and cultural rights of their people.

Remittances and foreign employment

Remittances to the LDCs from people working in other countries are also declining, as migrant workers lose their jobs due to the economic recession in the countries that provided employment. The IMF predicts a drop of between 4% and 8% in 2009. Remittances are particularly important for countries such as Haiti, Lesotho, and Nepal – where they amount to more than 15% of gross national income (GNI). Similarly, the export-oriented industries in LDCs such as garments are scaling down or even stopping production due to the economic downfall.

Declines in remittances have also been felt in Pacific LDCs such as Samoa, Tuvalu and Kiribati due to the effects of slowdown in the labour markets and high unemployment in the source nations, particularly in the USA, New Zealand and Australia. The already high rates of unemployment in the LDCs are likely to rise further in near future, with a subsequent increase in socio-economic conflicts and political unrest. For LDCs that have invested in the establishment of offshore financial markets as a source of government revenue, such as Tuvalu and Kiribati, the value of the investment trust funds they set up is expected to decline as world stock markets remain highly unsettled.

In Senegal, one of the LDCs in Africa, remittances account for up to 10% of GDP. In 2008, they were estimated at close to EUR 1 billion, which is more than 11% of that year's GDP. The decline in remittances reduces household consumption in many regions along with the level of public works and construction projects. This, together with cuts in government services, has resulted in more hardship and drudgery for women and children, particularly in terms of health, education, livelihood and food security.

Exports

In Afghanistan, major export items such as carpets and lambskin are now being badly hit by the financial crisis. Exports of carpets fell 25% and exports of the silky lambskin known as Karakul fell by 20%, according to the Afghanistan Investment Support Agency (export promotion agency). The livelihoods of more than 50% of the people in the Northern provinces depend on the carpet sector. The lambskin industry has already been badly affected by a year of drought; now the financial burden on farmers is increasing with falling demand for this commodity at the international level.

In Ethiopia, it is reported that this year's import revenue has declined by USD 803 billion. The Trade and Industry Ministry claimed the current world economic crisis has affected the export market for Ethiopian produce, especially coffee and oil seeds. In many cases, the major producers are the small holding farmers that will directly be affected.

The way forward

The above situation, which is pushing millions of people in the LDCs towards increased poverty and vulnerability, demands immediate and urgent action. In order to overcome the global economic crisis and create an enabling environment for development in the LDCs, it is crucial that the international community and the LDC governments come together to combat the impacts of economic crisis in the LDCs.

This will only be achieved with a fundamental transformation of the global financial architecture. The dramatic failure of the current system not only exposes its inadequacies, but also shines a spotlight on the failure of current approaches to development. For many people living in poverty in LDCs, the current model of economic growth has brought little benefit, if any. In seeking solutions to the problems created as a result of the economic crisis, the following actions are crucial.

- **Opening developed country markets to LDC exports without any conditionality** is necessary to promote fair trade and support the LDC economies to regenerate and grow. Only 79% of LDC exports enjoy duty-free access to developed country markets as per the 2008 UN MDG Gap taskforce report. Duty-free treatment to 97% of tariff lines of LDC exports (arms and oil excluded), as committed by the 2005 WTO Ministerial Declaration, must be honoured.
- There is an urgent need to **transform and restructure the governance of the International Financial Institutions (IFIs) in order to promote public accountability and transparency**, which must take place in accordance to the needs of the LDCs. Additionally, democratic participation of all countries in the negotiation with the IFIs and monetary institutions, with the UN at the centre, is critical to ensuring a more equitable, democratic and sustainable financial system.
- In order to cope with the economic crisis in the LDCs, all **debts must be cancelled immediately, unconditionally and irreversibly**. To facilitate this process, there is an urgent need

to establish a comprehensive process mechanism, which is internationally applicable, transparent and impartial.

- Similarly, **equitable mobilization of both domestic and international financial resources** is essential in order to achieve sustainable development in the LDCs, particularly focusing on access to basic economic and social infrastructure and social protection. Implementation of the 2001 OECD-DAC recommendations to untie aid to LDCs must not be delayed.[5]
- It is urgent to **increase aid flows to the LDCs in order to enable them to cope with the economic crisis and promote development**. Despite the 2002 Monterrey Consensus on Financing for Development, which urged developed countries to make 'concrete efforts towards meeting the target of 0.7% of gross national product (GNP) as ODA to developing countries', and 0.15% to 0.20% of GNP of developed countries to LDCs by 2010 as agreed in the Beijing Platform for Action, several countries seem to have ignored these targets.
- The LDCs need **a special stimulus package in the form of grants** to combat the impacts of the economic crisis. Failure to introduce such a package will result in a high risk of increased atrocities and gross violations of human rights in the LDCs. In this context, the recommendations advanced by the Commission of Experts set up by the President of the UN General Assembly (known as the 'Stiglitz Commission') on reforming the international monetary and financial system are welcome. Additionally, there is a need to create a global reserve system and a global economic coordination council under the UN as part of the fundamental reform of the international financial architecture. Similarly, international commitments must be put into action with immediate effect in order to address the underlying causes of the global economic crisis, and achieve internationally agreed development goals, including the Brussels Programme of Action (BPoA), the MDGs and the Accra Agenda for Action (AAA) on Aid Effectiveness in the LDCs. It is pertinent to highlight and draw the attention of international community to the fact that failure to achieve MDGs in the LDCs will result in their overall failure.

Conclusion

The globalized world we live in demands new global approaches. If we are to achieve the goals to which we all claim to aspire, we need to make sure that, as we work to mitigate the devastating consequences of this global economic crisis, we use it as an opportunity to bring about real transformation in the global system so that everyone on this planet gets better opportunities to lead meaningful and secure lives. Success will depend on how we address the needs of those amongst us, particularly those living in LDCs, who are facing the greatest challenges. ■

5 The 2001 DAC Recommendation to untie ODA to LDCs was amended on 15 March 2006, and more recently in July 2008, extending the Recommendation to include non-LDC HIPCs. See: <www.oecd.org/dac/untiedaid>.