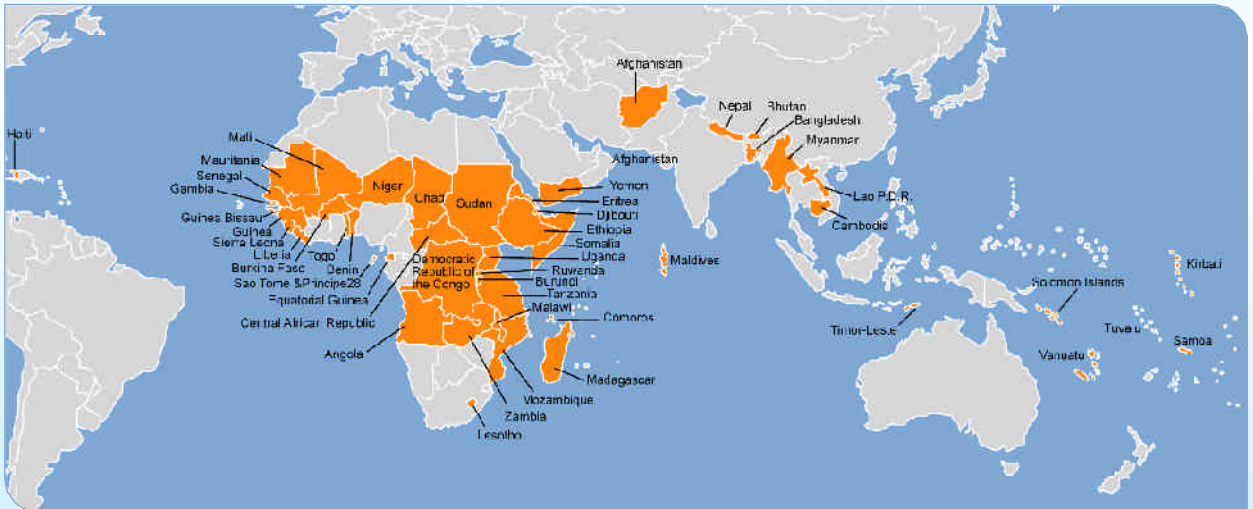


Impacts of Global Economic and Financial Crisis on Least Developed Countries - LDCs



Financial crisis is a crisis, which the citizens of the LDCs have played no part in creating, but are in the forefront of bearing its brunt, a crisis resulting from the fallibility of the rich, industrialized and developed countries. It has tremendously affected the lives of people living in the LDCs. The political crises worsened by human rights violations including violent conflicts in LDCs are some of the manifestations of the economic crisis. Several LDCs including Burkina Faso, Guinea, Haiti, Mauritania, Mozambique, Nepal, Senegal, Somalia and Yemen are experiencing their worst food crisis. People living in poverty in LDCs spend 70-80% of their incomes on food with soaring food price of unbearable magnitude, people have no choice but severely cut down their food intake. This 'silent tsunami' has profound consequences for millions of people in LDCs facing widespread misery and malnutrition.

Unprecedented food crisis and sky rocketing food price leading to "food riots" have shaken over thirty nations in the LDCs where workers and peasants have become lesser able to afford food. According to the Food and Agriculture Organisation (FAO), twenty-two countries are particularly vulnerable to the recent food price increase, because they are not only very poor but also dependent much on food imports. The FAO has warned that increasing prices have "triggered a food crisis" in

36 countries. According to the United Nations' World Food Programme (UN WFP), 12 out of the 16 'hunger hotspot countries' are the LDCs.

Foreign remittances of the LDCs have started to decrease as migrant workers lose their jobs as a result of the economic recession in the countries that provided employment. The export-oriented industries in LDCs

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such as garments are scaling down or even stopping production due to the economic crisis. This has resulted in deeper burdens and drudgery for women and children, particularly in terms of health, education, livelihood

and food security. The already high rates of unemployment in LDCs are likely to rise further in the near future, with subsequent increases of socio-economic conflicts and political unrest.

Aid flows are also being affected, potentially reducing the funds that will be available to the LDCs - even as governments in developed countries use significant funding for bailing out the financial institutions that have been at the centre of the crisis. Since most LDCs continue to be highly indebted, lower aid flows have exerted sudden pressure on LDC governments to maintain a balance between its investments for development and paying back its loans, resulting in less resources being directed to development needs. As the

resources to invest in development are limited, the LDCs are increasingly facing difficulty in meeting the Economic, Social and Cultural Rights needs of their people. This situation, which is pushing millions of people in the LDCs towards increased poverty and vulnerability, demands immediate and urgent action to address the global economic crisis.

LDC Watch, as a global alliance of civil society organisations that came out of UN LDC III Civil Society Forum process in 2001, had carried out a quick survey for mapping and collecting representative cases from selected LDCs on financial crisis, which are presented below.

Lost Markets for Nepalese Garments

Mr. Prashanta Pokharel, President of Garment Association of Nepal and the Proprietor of a garment factory known as Royal Stitches, voiced, "Some factories in Nepal lost NRs. 40 Lakhs at one lot as "Steven Berry", a New York based company, who was one of the prominent buyers of the Nepali Garments went bankrupt in 2008". The company went bankrupt when the garments shipped from Nepal had just arrived at New York and payment was due. Due to this, there was closure of the factories in Nepal, who had supplied garments to this company.

Lost Markets for Afghanistan Products

Among many export items, Afghan carpets and lambskins are the ones badly hit by the financial crisis. The export of carpet had fallen by 25% and silky lambskins known as Karakul by 20%, as per the information provided by Afghanistan Investment Support Agency (Export Promotion Agency). The livelihoods of more than 50% of the people in Northern provinces of Afghanistan depend on carpet trade. Thus, the global credit crunch has badly affected the livelihoods of carpet weavers, and the carpet traders have suffered a great deal as a consequence. Lambskin business was already affected by consecutive years of drought in Afghanistan. The financial burden is now increasing on the farmers with the falling demands for this commodity at international markets.

Carpets and Lambskins are the prime Afghan export items along with fresh and dried fruits.

Serious Setback for Revenue Generation in Ethiopia

It is reported that this year's import revenue has declined by USD 803 Billion (plan of USD 2.56 Billion declined to USD 1.02 Billion actual income). This, the ministry claimed, is due to the current world economic crisis that has affected the export trade for Ethiopian produces. In many cases, the producers are small holding farmers whose livelihood is directly affected.

Health, Education and Life Security are in Jeopardy in Senegal

The impacts of the crisis on health has been severe. A growing number of low-income populations had a restricted access to basic health care. This is due both, to the deterioration of the health system, owing to lack of public investments, and to the inability of the citizens to afford for proper care in the hospitals. The pharmaceutical industry has also been affected by the crisis to such an extent that some key drugs and medicines are not available in sufficient quantities because the government does not have enough money to pay for them. This was acknowledged by Mr. Biram Ndiaye, the head of the National Pharmacy Office, which is in charge of importing drugs and medicines for public hospitals.

The education system has also been hard hit by the crisis. This is reflected in repeated strikes by both teachers and pupils as a result of poor pay and worsening working conditions. As a result, the quality of education has declined.

Security in the suburbs has dramatically deteriorated, with more than 50 murders in the first quarter of 2009, something that was never seen before in the capital. Rapes and violence against women have become daily news, both in the suburbs and the city. This is due to worsening poverty associated with job losses and rising food prices.

In the face of this explosive situation, the government seems powerless.



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