

# **Towards A World Without LDCs**

*Global Civil Society Report and Recommendations to the Fourth United Nations Conference on the Least Developed Countries (LDC-IV)*

**LDC Watch**

LDC-IV Civil Society Forum Secretariat

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# Abbreviations

BPoA	Brussels Programme of Action
CAT	Convention against Torture
CEDAW	Convention on the Elimination of All Forms of Discriminations against Women
CERD	Committee on the Elimination of Racial Discrimination
CRC	Convention on the Rights of the Child
CSO	Civil Society Organisation
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
EU	European Union
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTT	Financial Transaction Tax
GDP	Gross Domestic Product
GEI	Gender Equity Index
GHG	Greenhouse Gas
GHI	Global Hunger Index
GNP	Gross National Product
GNI	Gross National Income
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
IATP	Institute for Agriculture and Trade Policy
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICCPR	International Covenant on Civil and Political Rights
IDP	Internally displaced person
IFI	International Financial Institution
IFPRI	International Food Policy Research Institute
ILO	International Labour Organisation
IMF	International Monetary Fund
IPoA	Istanbul Programme of Action
LDC	Least Developed Country
MDG	Millennium Development Goal

MDRI	Multilateral Debt Relief Initiative
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OP	Optional Protocol
SIDS	Small Island Developing States
SSA	Sub-Saharan Africa
UDHR	Universal Declaration on Human Rights
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCTAD	United Nations Conference on Trade and Development
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNMC	United Nations Millennium Campaign
UNOHRLLS	United Nations Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States
US	United States
WDM	World Development Movement
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation

# Foreword

The Fourth United Nations Conference on the Least Developed Countries (LDC-IV) is taking place in Istanbul, Turkey from 9-13 May 2011. World leaders are expected to come up with renewed commitments of partnership for the development of the LDCs. This is a great opportunity for the international community to delve into the achievements as well as failures of the past and put forward concrete proposals for rectifying the errors that led to those failures. As a significant contribution towards the discourse of LDC development, this report is a compendium of civil society voices from across the world, drawn from a series of interactions held at the local, national and regional levels. It has been contextually analysed and articulated to provide desirable sets of policy and programmatic recommendations for LDC-IV, with the aim of addressing the challenges most critical to the sustainable development of the LDCs.

This report seeks not only to assess the failure of the Brussels Programme of Action that came out of LDC-III, but also to craft an ambitious and deliverable plan of action to lift all of the world's LDCs out of the spiral of poverty, vulnerability and insufficiency. The failure to graduate more than 3 LDCs in the last three decades reflects a critical failure of the current aid architecture and model of development promoted by the dominant players of the international community. LDCs are facing a "development emergency" and it is a global responsibility to come together and lift the LDCs out of the perpetual cycle of poverty, vulnerability and instability. The prime message from civil society in this report is that the development paradigm must change now as the dominant approaches to development have failed the world's poorest citizens.

For the poorest countries in the world to cast off the label of "least developed", a genuine partnership with the international community is needed. LDCs no longer wish to be seen as the poorest and most vulnerable, perpetually bearing the brunt of climate change, financial crisis, debt burdens, and crises of governance. They are ready to move ahead, hand in hand with their "developed" counterparts, towards a full enjoyment of human rights, social justice and peace. The chapters that follow have tried to communicate these messages.

This report would not have been possible without the active efforts of the Steering Committee members of the UN LDC-IV Civil Society Forum, our partners in LDCs, developing and developed countries, various local, national, regional and global civil society movements and networks, the people whose voices are inspiration for our work.

We are much obliged to Lidy Nacpil, Mohiuddin Ahmad, Abhas Ghimire and Rabi Thapa for their time and efforts to produce this publication. The staff at the LDC Watch International Secretariat, particularly Sarba Raj Khadka, Som Rai, Prerna Bomzan and Rajju Malla Dhakal are also appreciated for their contribution. Likewise, thanks are due to Professor David Seddon and Prabin Manandhar for their initial contribution. Finally, our special thanks goes to USG Mr. Cheick Sidi Diarra, along with his staff at the UN-OHRLS, for his far-reaching vision and significant support to make this project a reality.

We are more than happy to continue partnering in the development endeavours of the LDCs in every way possible, and this report is part of this effort. We look forward to receiving creative feedback on the substance of this report, all the better to guide our future undertakings. And finally, we hope you will all join us in our efforts to create a world without LDCs!

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Chair and Spokesperson, LDC- IV Civil Society Forum

# 1. Introduction

At the end of the commitment period for the Brussels Programme of Action (BPoA) for the Least Developed Countries (LDCs) for 2001- 2010, we stand at a crucial point in history. In the last three decades, only three countries have graduated from LDC status. This is a clear message for all stakeholders: the dominant approaches to development have failed the world's poorest citizens. The development paradigm must change, and urgently.

Since world leaders gathered in Brussels in 2001, the challenges that LDCs face have only grown. In recent years, we have witnessed global financial crisis accompanied by recession, unprecedented hikes in food and fuel prices, and an increasing incidence of natural disasters causing untold suffering. The causes of each of these crises are to be found far from LDCs, yet it is their citizens who bear the brunt.

Above all else, LDC citizens deserve to live with security and dignity. There is clear consensus that for this to be possible, certain requirements must be met. These requirements have been stated countless times in agreements on poverty eradication and international cooperation. Yet it is clear that rhetoric has outweighed action, and that the global community has not 'walked the talk'.

As LDC civil society, we do not want a world with permanent labels along the lines of 'developed', 'developing' and the 'least developed countries'. LDC citizens want to march forward towards shared prosperity and to live with dignity. LDC citizens demand not mercy or charity, but justice.

A series of international conferences on the situation of LDCs has been organised by the UN over the last few decades (1981, 1991, 2001). At the most recent, the Third UN Conference on LDCs (UN LDC-III), the UN established an office dedicated to LDCs, the UN Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLS). LDC-III resulted in an ambitious Programme of Action, containing 30 international development goals for LDCs supplementing those contained in the Millennium Declaration.

However, little substantial progress has been made over the last few decades towards achieving sustainable development and poverty eradication in LDCs. The UN's *Rethinking Poverty: Report on the World Social Situation 2010* highlights the fact that "poverty levels remain stubbornly and unacceptably high in sub-Saharan Africa and in South Asia", home to all 33 African LDCs and 4 Asian LDCs. The UN Commission for Trade and Development's *The Least Developed Countries Report 2010* also demonstrates the limited achievement of LDCs in terms of progress towards broad-based development. The report's subtitle – 'towards a new international development architecture for LDCs' – indicates that this lack of progress stems largely from the failure of the international community to provide an appropriate framework or 'architecture' for LDC development. Several of the civil society assemblies organised by LDC Watch during 2010 also refer to the failure of current development paradigms, policies and practices to effectively address development challenges in these marginalised countries.

Economic growth in LDCs has been very fragile, in large part as a result of the unfavourable global context and the undeniable pursuit of self-interest on the part of most developed and emerging developing countries. This has been at the expense of the weaker developing countries. What economic growth has taken place has been uneven and non-inclusive. This owes much to the dominance of the neo-liberal paradigm that LDC governments are effectively obliged to follow by virtue of their subordination to the international financial institutions and other 'development' agencies whose vision of development is one of 'globalisation at all costs'. It is also, however, a result of the fundamental structural inequalities that characterise most LDCs, and their failure to develop alternative policies and programmes for sustainable and broad-based development. This is not only an economic problem, but also a social, political, and indeed cultural issue.

According to UNDP's *Human Development Report 2010*, LDCs account for 35 of the 42 countries in the lowest category of the Human Development Index (HDI), measured in terms of life expectancy, literacy, standard of living and Gross Domestic Product (GDP) per capita. With a rapid population growth of 2.37 per cent a year

(2005-2010), the LDC population is projected to top 965 million by 2015. LDCs as a whole are thus not 'on track' to achieve the MDG target of reducing by half the population living in extreme poverty, and data from the *UN OHRLLS 2009: The Least Developed Countries* reveal some glaring facts:

- A child born in an LDC is 26 times more likely to die before its fifth birthday than a child born in a developed country, and 31 per cent of LDC children are undernourished compared with 17 per cent in developing countries as a whole;
- Women in LDCs have a 1 in 16 chance of dying in childbirth, compared with 1 in 3,500 in North America;
- In sub-Saharan Africa, malaria kills a child every 30 seconds;
- There are currently 4.1 million people with AIDS in sub-Saharan Africa;
- Only 4 LDCs – Guinea, Malawi, Nepal and Tuvalu – have met their MDG drinking water targets;
- Only 22 per cent of roads in LDCs are paved, compared with 43 per cent in developing countries as a whole, and 88 per cent in member countries of the Organisation for Economic Co-operation and Development (OECD);
- Only 16 per cent of the population of LDCs has access to electricity, compared with 53 per cent in other developing countries.

The *African Governance Report 2009* from the UN Economic Commission for Africa (UNECA) shows that political governance has improved during the past decade, as manifest in the number of countries with multi-party systems and elections contested. However, constitutionalism is not embedded in society, and public service delivery is not efficient enough for people to see it as enabling it to build their human assets.

Furthermore, in many LDCs national monitoring systems are complicated by the lack of regular, reliable data and limited expertise on human rights and the justice system.

People-centred development means inclusive and equitable development, which requires governments to uphold the rights of minorities as well as majorities, taking into account the special needs of vulnerable groups such as ethnic and racial minorities and children, women, and older people. But the treatment of women in LDCs is illustrative. Despite recent progress, gender-based violence is rife in LDCs, where the historical marginalisation of women has been compounded by poverty. Most LDCs have ratified the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) but few have opted to ratify the Optional Protocol, the instrument that recognises the competence of the Committee on the Elimination of Discrimination of Women to hear complaints on violations of CEDAW. Compliance at the national level has been poor. Some LDCs have promulgated gender laws but customary laws and practices still hinder women from accessing justice.

### **Broken promises**

The developed countries have failed to meet their own pledges and commitments to LDCs, most obviously to provide official development assistance (ODA) amounting to 0.15–0.20 per cent of gross national income (GNI) reiterated in the BPoA. In fact, the widespread distortion of aid figures by inclusion of debt relief and other non-aid items suggest a more substantial allocation of resources than actually took place. ODA flows to LDCs also mask unacceptable geographic disparities in the distribution of aid linked to foreign policy and security, the so-called ‘war on terror’, trade, and other strategic interests. In many cases, this is not development aid. In 2007, 55 per cent of LDC aid went to 8 countries: Afghanistan, Tanzania, Ethiopia, Sudan, Mozambique, Uganda, Bangladesh and the Democratic Republic of the Congo. The remaining 41 LDCs (comprising 84 per cent of the LDC population) shared just 45 per cent of ODA flows.

In 2009, net ODA stood at around 0.31 per cent of GNI for countries of the OECD’s Development Assistance Committee (OECD-DAC) – less than half of the promised 0.7 per cent – and several of the largest sources of ODA have committed less than 0.3 per cent. In 2009, European Union (EU) aid was 0.44 per cent of its GNP, a proportion significantly higher than that provided by either the United States or Japan. But the EU as a whole did not reach its internal aid target in 2009 and is expected to fail to reach the international target of 0.7 per cent of GNI by 2015.

It is not just a question of quantity, however, although most analysts agree that more aid would be better and most bilateral and multilateral development agencies argue for ‘aid effectiveness’. However, this debate may mean different things to different people. The multilateral agencies are primarily concerned with cost-effectiveness and ability to repay loans as a crucial indicator of capacity and debt sustainability. But while development partners focus on ‘aid effectiveness’ in these terms, they miss the point of *development* effectiveness. The *2006 Survey on Monitoring the Paris Declaration*, in which 19 LDCs participated, shows that progress is badly needed with regard to the three basic conditions required to make aid ‘development effective’: it must be predictable, accountable and cost-effective.

There is talk about new and emerging donors, South-South cooperation, and triangular cooperation. Many countries in the South, particularly the emerging economies, could provide crucial support in this respect. But this possibility should not exonerate OECD countries from their commitments. Neither should the financial crisis be a pretext for the North. LDCs have already suffered because of shrinkage in ODA, increased food and fuel prices, and the decline of remittances that are so crucial for their fragile economies.

## **Debt crisis**

It is imperative to understand that with an external debt stock of US\$155 billion and annual debt service payments of more than US\$6 billion, LDCs are in a perpetual state of debt overhang. This is proving to be a major handicap in their fight against poverty and underdevelopment. With debt growing with every aid programme, there is no real prospect that the loans incurred will ever be paid back. The uncertainties in domestic production, volatility in international prices and exchange rates, vulnerability to climate change, and deteriorating terms of trade often make the debt burden of LDCs unsustainable. External debt burden aggravates the poverty trap as debt service crowds out public expenditure on essential social services and public infrastructure, affecting the long-term productivity that could preclude the need to borrow in the first place.

The countries of the North and the international financial institutions based in these countries are reluctant to offer total and unconditional cancellation of LDC debt, in lieu of the barrier it poses to achieving the MDGs and other Internationally Agreed Development Goals (IADGs). Unconditional debt relief, it is said, could lead to resources “being squandered on corruption, military and grandiose projects”. But has conditional aid not been used for the same?

There have been very few agreeable debt cancellations over the past decade. The much hyped Heavily Indebted Poor Countries (HIPC) Initiative and Multilateral Debt Relief Initiative (MDRI) are effectively the same old ‘structural adjustment’ programmes of years past under a new guise – they provide yet new ways for rich countries to further indebt poor countries by imposing strict conditionalities which they must fulfill in order to qualify for relief measures. Most of the debt was owed to official creditors, and high levels of external indebtedness have also undermined aid effectiveness. The debt sustainability framework promoted by the Bretton Woods institutions has led to ‘debt’ being repaid over and over again, with debt servicing eating up a major portion of annual national budgets in LDCs. Within the prevalent framework, the historical and environmental aspects of Southern debt are completely unacknowledged and overlooked. Moreover, the framework does not distinguish between debt for financing current expenditure and debt used for investment projects, which, if and when profitable, could well ensure debt sustainability. The onerous implications of enormous amounts of debt should not be borne by citizens who have little or no responsibility for creating such a mess.

Recognizing the crushing weight of debt service payments that tend to crowd out social spending in many LDCs, we call for a total and unconditional debt cancellation for all LDCs. The UN LDC-IV conference and the

upcoming Fourth High Level Forum on Aid Effectiveness (HLF4) are great opportunities to make substantial strides towards this goal.

## **Elusive gains from trade**

Many bilateral and multilateral development agencies remain fixated on a paradigm of development that sees 'liberalisation' in the economic system (as well as social and political life) as beneficial to economic growth. Despite numerous, trenchant critiques and much opposition across the world, this neo-liberal paradigm, associated with the 'Washington Consensus' that dominated development theory in the late 1970s and early 1980s, remains the conventional wisdom of all too many development agencies.

But liberalisation and 'free trade' have always been unevenly applied in practice, with the rhetoric of development obscuring the fact that developed countries maintain important restrictions on free markets in their own national and international interests through subsidies and various non-tariff barriers. At the same time, they insist that developing countries 'open up', reduce any constraints on imports and exports, and effectively liberalise and privatise their national economies. The developed countries protect their own markets while forcing poorer countries to open their markets to their own products, often undermining local production and the underlying potential for the growth of national industries for catering to the domestic market in LDCs.

The World Trade Organisation (WTO) regime explicitly allows LDCs access to special and differential treatment. But these 'special favours' often fail to reflect the human and institutional capacities of a given LDC. More significantly, as long as Northern countries continue to provide astronomical sums of money to their own farmers and agribusinesses, the WTO's special allowances are just window dressing for a deep structural inequity that must be tackled.

The value of 'aid' and 'debt concessions' is dwarfed by the adverse effects of this protectionism on the part of rich countries. The denial of market access for poor country products is completely unacceptable, as is the use of aid as a lever by rich countries to open poor country markets to their products. 'Aid for Trade', introduced in the Hong Kong Ministerial Declaration of 2005, is oriented only towards addressing the "supply-side constraints", such as strengthening export-oriented industries and related infrastructure – a classic feature of colonial 'development'. This is yet another way of getting poorer countries to concentrate on their export industries (which are often in direct competition with other LDC producers and which risk being denied fair access to Western markets), leaving them in a position of growing reliance on imports for fuel, manufactured goods, medicine and even, ironically, basic foods. This undermines indigenous development potential in favour of globalisation, in line with the neo-liberal paradigm.

With the Hong Kong Ministerial Declaration of 2005, members agreed to five special and differential provisions for LDCs, including dutyfree and quota-free access (DFQFA). As currently discussed, DFQFA covers 97 per cent of tariff lines and if the United States alone were to implement the initiative, it would

potentially increase LDC exports by 10 per cent (or US\$1 billion). Many major trading powers already provide preferential access to LDCs through initiatives such as the Everything But Arms (EBA) initiative and the African Growth and Opportunities Act. However, the narrow export base of LDCs means that 100 per cent of tariff lines must be covered for real impact. Additionally, all kinds of Nontariff barriers to trade need to be eliminated as they tend to circumvent the DFQFA agreement and limit market access for LDC products.

## **Climate justice**

Environmental problems such as climate change are the result of affluence rather than poverty. Affluence in the North demands high levels of consumption, and produces greenhouse gases responsible for climate change. LDCs have contributed the least to the emission of greenhouse gases. But they are the most vulnerable to the effects of climate change, and have the least capacity to adapt to these changes.

LDCs are exposed to specific threats, depending on their characteristics. Mountainous and monsoon dependent countries of South Asia face glacial retreat, droughts and floods, island and coastal LDCs face more frequent and severe typhoons and floods, and low-lying countries of the Pacific are threatened by rising sea levels. Climate change also poses risks of desertification to environmentally vulnerable arid and semi-arid LDCs in the African Sahel. There is an urgent need for LDCs to adopt effective adaptation strategies by fusing technological sophistication with indigenous knowledge base to prevent climate change from triggering disastrous calamities and economic decline. For this they require special support from the international community. There should not be a trade-off between climate change and the development priorities of LDCs.

LDCs can legitimately claim compensation for the damage done as a result of climate change precipitated by the industrialised North, which should accede to 'climate reparations' and also agree to drastically reduce their greenhouse gas emissions.

## **Food price crisis**

World food prices have roughly doubled over the past three years, but between April 2007 and April 2008 alone they increased by 85 per cent. At the same time, the incomes of poor households diminished because of higher unemployment following the economic downturn. Both crises contributed to a considerable reduction in the effective purchasing power of poor consumers, who spend a substantial share of their income on basic food commodities.

In 2008, an unprecedented food crisis and skyrocketing prices led to 'food riots' that shook over 30 LDC. According to the United Nations'World Food Programme, 12 of the 16 'hunger hotspot countries' are LDCs. This looming food crisis clearly signifies that the flaws of the existing agro-industrial and market-led approach to food security has grossly failed to feed hungry people living in LDCs. International food prices have not yet stabilised and threats of new food crises linger. Another food price crisis is currently brewing in

many parts of the world. Needless to say, LDCs will be hit worst despite agriculture being the biggest sector in many of these countries. Excessive food consumption and waste in rich countries, unrestrained speculation in food prices in the commodity markets, and diversion of arable land and crops for agro fuel production have all exacerbated the current crisis. We call on world leaders and global civil society movements to recognise the severity of the situation and guarantee food security for all citizens of the world. Something needs to be changed in a world where more than one billion people are overweight, and an estimated 800 million are undernourished.

## **The decade of mixed fortunes**

The economic fortunes of LDCs have varied considerably in recent years. From 2001-2011, their experience was mixed; the period of 2002-2008, which constituted a mini-boom in the global economy, was generally positive, but did not necessarily provide a sound basis for future development.

LDC trade has been increasing since the 1990s and LDC imports and exports of goods and services have increased from around a third to over half of their collective GDP between 1990 and 2004. The total volume of exports from LDCs as a whole almost doubled between 2000 and 2008, with African LDCs leading the expansion as new oil and mineral resources came on stream. World demand and world trade were booming, commodity prices were rising, and transnational corporations (and their parent governments) were increasingly seeking raw materials and greater control over their supply during this period. But even those LDCs that have expanded exports have had very mixed success in reducing poverty.

From 2008-2010, a period of global recession, LDCs were adversely affected. Given their limited integration into global financial markets, they have not been as badly hit as some developed nations. But if the financial crisis evolves into a more general economic crisis (possibly affected by Japan's economic crisis), this could change rapidly. Although relatively 'open' themselves, LDCs continue to face severe unofficial barriers to their exports, as well as other disadvantages.

Many LDCs rely heavily at present – and have done so increasingly since the mid-1990s – on remittances from migrant workers abroad. In 2005, almost 22 million left an LDC (World Bank, 2008), making the export of labour among the major exports of many LDCs. The global financial crisis has impeded the flow of remittances to many LDCs causing severe frustration and hardship to many remittance dependent families and also stymieing the economic growth of many of these countries.

Heavy reliance on remittances may turn out to be a form of 'Dutch disease', however. Not only are large numbers of mostly young and active adults unable to contribute directly to productive activities inside their own countries, but families are obliged to live apart, with the result that local communities disintegrate. This could have severe social and political implications within LDCs.

## **Urgent Need for a Bold New Agenda and Vision for the LDCs**

As civil society organisations (CSOs) began the process of preparing for the Civil Society Forum for the Fourth United Nations Conference on the Least Developed Countries (LDC-IV), many of us could not help but feel a sense of *déjà vu*. We have been down this road before, as most of us were also active in the processes of the Third UN LDC Conference held 10 years ago.

We found ourselves confronting many of the same issues we raised then, engaging in discussions that seem like echoes of the intense conversations we had before. With you we share a collective challenge – how do we make LDC-IV different from the last conference, in fact all past conferences? The four decades of so-called special attention to the world's most vulnerable countries have only seen the number of LDCs grow from 24 in 1971 to 48 today.

The international community has collectively failed to resolve the devastating problems suffered most severely by people living in the LDCs. Inequalities within and between nations have been exacerbated. LDC-IV must face up to the challenges facing the world's most marginalised people. Many problems have actually been exacerbated by the aggressive promotion of so-called solutions, others by a sheer refusal to accept responsibility and take action. A reiteration of past solutions is not the answer.

The LDCs are bearing the brunt of new crises, without having been responsible for creating these crises – the devastating effects of climate change, the impacts of the financial crisis, food insecurity, and threats to freshwater supplies. The world has changed and so must the approaches that we use to address the challenges faced by the LDCs.

A bold vision and agenda are urgently needed, a paradigm shift that offers an alternative development pathway to change the face of the globe. Such a change should include the reduction of the number of LDCs by at least half by the end of the decade. We need a new agenda that talks not only about *who* development is for, but radically re-imagines *what* development means and *how* this kind of development is to be achieved in ways profoundly different from the failed prescriptions of the past.

We need an agenda that spells out not only the goals but more importantly *how* to achieve the goals in a manner that clearly places people and the planet above profit and power. We need a new agenda that will inspire people and provide the framework for collective action from all countries and all parts of society.

The agenda laid out in the new Programme of Action must be visionary and strategic. But it must also include specific steps that provide immediate redress even as these same steps represent an advance towards the new vision. The new international Programme of Action for the LDCs, which is being worked on now and which will be adopted in Istanbul, must articulate this new agenda.

This Global Report is the contribution of CSOs from the South and North, LDCs and non-LDCs, towards the crafting of this new agenda.

## 2. Strengthening the domestic economies of the LDCs

Strengthening the domestic economies of the LDCs should be a central goal which other economic policies should support. This is not a new concern – it has been part of LDC development discourse before and since the last UN Conference on the LDCs in 2001.

But the paradigm shift begins here: what do we mean by strengthening domestic economies, what are the goals, and how are they to be accomplished?

Mainstream thinking and practice has equated strengthening the domestic economies and productive capacities of the LDCs with a private sector and market-led increase of GNP, to be achieved through increase of foreign investments and access to credit, liberalisation and deregulation, and scaling up exports by enhancing competitiveness. This approach has clearly failed and will continue to fail.

LDC economies are weak not because they are in the early stages of development and just need the proper conditions and support –more investment and capital infusion, more free market reforms, greater integration into the global market –to grow, catch up and graduate. The problems partly lie in the orientation and structures of LDCs' domestic economies – legacies of their colonial history – and partly in the relations and dynamics within the present global economic system that perpetuate unequal economic relations that are grossly disadvantageous to the LDCs. The current era of so-called free market globalisation has meant the strong are free to use their strength to greater advantage and, as seen in the recent global financial and economic crises, they are also free to change the rules to suit their interests.

Some analysts point to the so-called emerging market economies and middle-income countries as proof that success is possible. They are held up as examples of what the LDCs can hope for in the immediate future. This is a flawed and deceptive comparison. While some good lessons can be learned from the experience of some of these countries, such as the importance of land reform and a strong industrial base, the so-called middle-income countries and emerging economies do not illustrate “people-centred development”. The majority of their citizens continue to be impoverished and marginalised. Further, the rise in growth and national income of these countries has not yet proven to be either economically or environmentally sustainable.

To be sure, there are other factors behind the LDCs' economic situation, but unless the structural and systemic issues are addressed, they will remain weak and impoverished, and graduation from LDC status will not happen for most. In fact, the trend of increasing impoverishment, as seen in the increase in the number of LDCs, will continue.

Strengthening of LDC economies must be defined and eventually measured by the following:

## **Strong productive capacities aimed primarily at providing for peoples' needs**

Most LDCs pursue an economic growth strategy oriented to producing for the world market rather than for their peoples' needs. LDC exports are mainly raw materials and semi-finished products. According to a report from the United Nations Conference on Trade and Development (UNCTAD),<sup>1</sup> the share of the manufacturing sector in LDC GDPs has remained stagnant for almost two decades. Exports are concentrated in just a few sectors, with many countries offering the same commodities. Thus the prescription to enhance the "global competitiveness" of LDC goods and services means stiff competition between the LDCs and other countries of the South, resulting in a race to the bottom in terms of cheap prices, cheap labour, tax holidays, and the like.

Economies that are mainly oriented towards selling to the world market – focusing only on a few sectors at that – end up not only selling their materials, labour and products very cheaply, but also leaving their economies highly vulnerable to external factors. If there is a sudden change affecting those sectors, the result is unemployment and a reduction in export earnings on a massive scale. Such economies end up with a glut of export products that are of little use for the people of the LDCs.

The current global economic and financial crises has affected LDC exports. According to a factsheet released by the International Trade Centre ([www.intracen.org](http://www.intracen.org)), the value of exports from LDCs fell by more than 43 per cent in the first half of 2009 as compared to the same period in 2008.

The export-oriented growth paradigm argues that domestic needs will be met through the income earned from exports, which will be used to purchase other commodities not produced locally in sufficient amounts. But with few exceptions (mostly the oil-exporting countries), this income is never enough. Imports far outpace exports in most LDCs; very few LDCs have had significant export earnings in recent years. In fact, 74 per cent of total LDC exports in 2008 originated from just seven LDCs (Angola, Bangladesh, Chad, Equatorial Guinea, Sudan and Yemen).<sup>2</sup>

Even LDCs which have highly valued raw materials – crude oil, minerals, and diamonds – do not have full control over these resources, as foreign companies continue to dominate these industries in collaboration with local elites. The presence of these highly valued resources have in fact provoked wars and internal strife fuelled by foreign corporate interests.

Developing productive capacities towards meeting domestic needs may not redound to immediate and significant growth in national income, but it will lead to more stable growth that also, more importantly, paves the way for food security and other needs as well as an increase in sustainable livelihoods.

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<sup>1</sup> *In Quest of Structural Progress: Revisiting the Performance of the Least Developed Countries*, Report of the UNCTAD Ad hoc Interdivisional Task Force on LDC-IV, June 2010

<sup>2</sup> *ibid.*

This is also an important part of dealing with the climate crisis – by building local and national resilience – and an urgent call for the global economic system to shift to low emission systems. So much fossil-fuel energy is being used to transport commodities halfway across the world when they could be produced locally. The notion of what is “cheaper” and “more cost effective” is fundamentally challenged once we factor in environmental costs.

This is not an argument against exports and trade. But exports should complement rather than supplant production for domestic needs. There will of course be exceptions, as in the case of LDCs and other countries whose geographic conditions and natural resource realities do not make highly diversified production possible.

Exports, trade and other cross-border economic partnerships should also be radically re-imagined towards complementarity and solidarity. There are a number of initiatives along these lines that serve as positive case studies.

## **Calls to Action**

- Support the development of small- and medium-sized enterprises and manufacturing sector with priority for those producing goods for domestic needs; encouragement for the development and formalisation of the informal sectors; strengthening of vocational training, particularly for vulnerable groups in society; and investment in economic infrastructure for poor and marginalised areas.
- Regulate foreign investment and international business to ensure that they contribute to the development of the domestic supply economic, to macroeconomic stability, and to the development of technical and managerial skills, local economic development and small business development.
- Promote investment opportunities in LDCs, consistent with LDC national priorities and ensure that companies operating in LDCs adopt internationally-agreed standards of corporate social responsibility.
- Review and end trade policies and agreements that undermine domestic economies; develop a trade policy that is consistent with and strongly supports the development of domestic productive capacity.

## **Democratic ownership and control of economic resources, with equitable distribution of benefits**

For the people of the LDCs, economic growth means nothing if it does not redound to the equitable distribution of its benefits and significant improvements in their quality of life. Strengthening of LDC economies must also be measured in these terms.

While studies show that there has been some level of GDP growth for most LDCs in the last decade (see Table 1), UNCTAD notes there has been no acceleration in poverty reduction since 2000.<sup>3</sup>

**Table 1: Annual Real GDP Growth Rate ( per cent)**

LDCs	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
All	5.0	6.2	5.6	5.9	7.9	8.4	8.1	8.7	6.9	4.8	5.5	6.0
Asia	6.6	5.7	5.3	6.8	7.1	7.8	7.2	7.4	5.3	5.8	6.0	5.8
Africa	4.0	6.8	5.9	5.3	8.8	9.0	9.0	9.8	8.1	4.1	5.4	6.1
Island	1.7	-0.7	0.4	0.9	-2.2	2.5	2.5	3.4	1.6	2.1	-6.4	8.3

Source: *Growth, Employment and Decent Work in the Least Developed Countries*, Report of the ILO for the Fourth Conference on the LDCs, Istanbul, 9-13 May 2011. Calculated from *World Economic Review*, IMF, 2010. The data for 2010-2011 is provisional.

Further, income inequality and social exclusion have grown. Even if average GDP per capita may be rising, this is a statistical function of growth divided by population, and does not translate into effective poverty reduction. Benefits generally accrue to the elite, who also dominate decision-making regarding the economy and governance.

A step towards equitable sharing of economic benefits is ensuring a progressive taxation system and a public spending policy that prioritises essential services and economic equity programmes.

Equitable distribution of economic benefits will not go far, however, under conditions where economic resources and natural wealth are owned and controlled by elites and foreign corporations, as is the case in most LDCs. Indeed, the presence of vast natural wealth in many LDCs, especially African LDCs, has been more of a “curse” than an advantage –resulting in colonial plunder in the past and corporate greed now. The majority of the people of the LDCs have not derived their rightful share of the benefits from their resources. On the contrary, the struggles to control these resources have generated wars, conflicts and militarisation in LDCs.

There must also be clear programmes for democratisation of ownership and control of economic resources. Comprehensive agrarian reform is one such programme. Public and sovereign control over key natural resources with full transparency and accountability is another.

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<sup>3</sup> *The Least Developed Countries Report 2008: Growth, Poverty and the Terms of Development Partnership*, United Nations Conference on Trade and Development, New York/Geneva, 2008

## **Calls to Action**

- Implementation of comprehensive agrarian reform and aquatic resources reform which should include adequate support services for farmers, agricultural workers and fishers.
- Public and sovereign control over key natural resources with full transparency and accountability.
- Ensure living wage for all workers, rural and urban.
- Protect community access to local resources especially those needed for sustainable livelihoods; Promote community management and share benefits of local resources.
- Stop land and resources grab by elites and corporations.

## **Sustainable extraction and use of natural resources**

The wanton plunder of the natural resources of LDCs must end. The LDCs should stop feeding the current global economic system's unrelenting and ever-escalating demand for resources for the generation and accumulation of profit. All LDCs, but especially natural resource-rich ones, must ensure the sustainable extraction and use of their natural resources, to stop the worsening of the environmental and climate crises and to ensure that future generations will still be able to benefit from these resources.

## **Calls to Action**

- Immediate regulation of extractive industries and tourism, sectors where there has been extensive foreign investment and exports, but high social and environmental costs and little connection to benefit the domestic economy.
- Legally binding rules of disclosure for resource exploiting transnational corporations and major domestic companies; Disclosure should include the terms of the contracts and the remittances and income of these industries/companies; these terms and transactions must be transparent to the citizens as a whole and not just to the government of LDCs.
- Strong regulation and integrity mechanisms to curb corruption in all its forms, including adherence to the Extractive Industries Transparency Initiative (EITI).
- Regulations for strict legal liability for social and environmental damage.
- A funding mechanism that can help LDCs obtain independent expert assistance when negotiating resource extraction agreements.
- Stronger government policy and regulation to ensure that social and environmental sustainability is enforced, especially for agriculture, extractive industries and other natural resource-based sectors.

- Establishment of sovereign funds to receive and administer resource rents transparently and accountably for the benefit of those living in poverty and vulnerability.

### **Community Forestry Management in Nepal**

Community forestry in Nepal is a case study in innovative participatory environmental governance that encompasses well-defined policies, institutions, and practices. The programme addresses the twin goals of forest conservation and poverty reduction. As over 70 per cent of Nepal's population depends on agricultural livelihoods, community management of forests has been critically important for food and overall livelihoods security. Through legislative developments and operational innovations over three decades, the programme has evolved from a protection-oriented, conservation-focused agenda to a much more broad-based strategy for forest use, enterprise development, and livelihoods improvement. By April 2009, one third of Nepal's population was participants, directly managing over one fourth of Nepal's forest area.

The immediate livelihood benefits derived by rural households – as inputs to agriculture, food security, and cash incomes – bolster strong collective action wherein local communities actively and sustainably manage forest resources. The forests have also become the source of diversified investment capital and raw material for new market-oriented livelihoods. Community forestry in Nepal shows signs of political, financial and ecological sustainability, including the emergence of a strong legal and regulatory framework, and robust civil society institutions and networks. However, a continuing challenge is to ensure equitable distribution of benefits to women and marginalised groups. Lessons for replication emphasize experiential learning, establishment of a strong civil society network, flexible regulation to encourage diverse institutional modalities, and responsiveness of government and policy-makers to a multi-stakeholder collaborative learning process.

*Community Forestry in Nepal: A Policy Innovation for Local Livelihoods and Food Security*, Ojha, H., Persha, L. and Chhatre, A., IFRI Working Paper No. W09I-02, International Forestry Resources and Institutions, Ann Arbor, 2009

### **3. Ensuring the necessary financial resources for equitable, just and sustainable development**

For LDCs, the mobilisation of finance remains one of the most critical challenges for survival and development. The weak economies of LDCs – the legacy of colonisation and the result of continuing unequal economic relations in the global economic system and within the domestic economies – make it very difficult to generate adequate domestic financial resources to deal with immediate needs and multiple global crises, much less for the requirements of development. The debt problem and the resulting drain on resources through debt service exacerbate these problems in no small measure.

As in past decades, LDC governments look primarily at external sources of financing to meet their financing needs, citing their low capacity to mobilise domestic finance. This results in a constant pursuit of aid, foreign investment, and loans on the part of many LDC governments. Such a pursuit is often accompanied with a willingness to accede to paradigms and priorities that come with the funds and to sacrifice long-term goals for short-term ease. Rich, industrialised countries and international financial institutions, however, actively use aid, loans and the promise of investment in LDCs as leverage to generate policy and political environments favourable to their economic interests. Unfortunately many of these policies run counter to people-centred, sustainable development.

External finance flows may be necessary for some time to come, not to shore up the current system but to pursue an alternative path towards equitable, just and sustainable development. It is thus vital to ensure that such flows reinforce development rather than exacerbate problems. Towards this end, civil society organisations and peoples' movements have been strongly advocating for democratic, accountable and responsible financial relations, and for North to South development finance flows to come in the form of condition-free grants, not as loans or other debt-creating instruments, in the spirit of reparations and solidarity.<sup>4</sup>

Even while LDCs are attending to the strategic tasks of building and strengthening their economies, there are many things that can immediately be done to improve on mobilisation of domestic resources consistent with the promotion of equity and social justice. These measures are not the responsibility of LDCs alone. The immediate and unconditional cancellation of all LDC debt by the rest of the international community is one such step that can give LDCs a huge boost.

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<sup>4</sup> In 2009 civil society groups built consensus around a "South-North Platform on Sovereign, Democratic and Responsible Finance".

## Progressive tax and international tax justice

Scaling up national tax revenues is a critical area for action by LDC governments, and this requires the support of the international community. (See Table for LDC Tax Revenues)

Tax revenue (% of GDP) - data available only for the following countries									
Source: Global Development Finance and World Development Indicators 2011									
Country Name	2001	2002	2003	2004	2005	2006	2007	2008	2009
Angola									
Benin	15.47	15.68	15.66	16.35	15.47	15.96		17.25	16.11
Burkina Faso		10.51	10.89	11.80	11.76	12.01	12.49	12.34	12.87
Central African Republic				6.21					
Congo, Dem. Rep.	4.36	6.32							
Ethiopia	8.15	9.78	9.19	9.76	8.79				
Lesotho	40.25	38.27	40.89	47.82	48.05	61.58	57.56	59.97	
Liberia					0.24	0.23	0.31	0.32	
Madagascar	9.74	7.67	10.01	10.88	10.11	10.67	11.43	12.96	
Malawi									
Mali	13.95	13.00	13.77	15.29	15.66	15.66	14.88	13.30	14.70
Mauritania									
Mozambique									
Niger					10.09	10.70	11.46		
Sierra Leone	12.03	11.38	11.52	10.78	10.77	11.18	10.22	10.53	10.85
Togo				14.39	13.93	14.71	16.35	16.27	17.00
Uganda	10.44	11.18	11.26	10.71	11.78	12.28	12.40	12.90	11.99
Tanzania									
Zambia	18.62	17.43	16.65	17.57	17.22	16.39	17.08		
Afghanistan						6.29	5.29	5.23	7.27
Bangladesh	7.60	7.70	8.07	8.11	8.22	8.17	8.05	8.82	8.60
Bhutan	8.91	9.79	9.53	7.82	8.49	9.28	7.53	8.51	9.15
Cambodia		8.17	7.54	8.12	7.89	8.18	9.70	10.56	9.62
Lao PDR						10.28	11.42	12.04	12.53
Myanmar	2.26	2.00	2.21	3.27					
Nepal	9.45	8.56	8.65	8.97	9.18	8.78	9.77	10.41	12.19
World	15.52	14.46	14.50	14.70	15.32	15.42	15.59	14.86	14.25

Taxation is a means for the state to raise revenues so it can fulfill its obligations. But taxes should not be designed with merely an increase of revenues and efficient collection in mind. The International Monetary Fund (IMF) and other International Financial Institutions (IFIs) pushed developing countries to adopt tax reform policies with these objectives, leading to greater tax burdens on the poor and more regressive tax systems.

Tax systems must be designed and implemented in an equitable and just manner. Taxes should not be an additional burden on those who do not even earn enough to meet their basic needs, which is the case for

the majority of the people in LDCs. Progressive taxation means those who have more, both in terms of income and assets, should give more, not just in nominal amounts but in terms of a share of their wealth.

In many cases just the opposite is happening. Impoverished and low-income households give a higher percentage of their income to taxes – direct and indirect – than do rich households. Huge potential revenues are lost because of regressive tax policies. Investment incentives in the form of tax holidays and tax discounts given to foreign investors and multinational corporations further deprive LDCs of urgently needed resources.

It is vital that states effectively and efficiently enforce tax policies that are just and progressive together with other programmes and policies to strengthen the domestic economy and the country's internal capacity to provide for its own financial needs. Governments of the South must move away from their dependence on aid and loans.

One innovative way for LDCs to use land to its full productive capacity and at the same time mobilise much-needed revenues for their development is the institution of land taxes that are levied not just by land area but also site value. Properly designed “mineral resource rent taxes”, like land value taxes, can produce substantial revenues, help conserve scarce resources, and prevent premature exploitation and dissipation of value.

For progressive taxation to work, however, LDCs need to strengthen and reform their tax administration, since in their current state any progressive policies introduced would be rendered meaningless.

In addition to implementing progressive taxation policies, LDC governments must address tax avoidance and tax evasion, which is rampant among high-income and wealthy individuals and corporations. There must be corresponding international efforts to close tax havens, demand full and transparent accounting and reporting by transnational companies, stop transfer pricing, and other measures to stop illicit capital flows that rob LDCs and other countries of the South of their revenues.

## **Calls to Action**

- Reduce the tax burdens of poor and marginalised sectors; ensure equitable, gender-just and progressive tax policies.
- Reform tax incentive policies to ensure that foreign investors and big corporations contribute a fair share to public resources.
- Improve tax policies to address tax avoidance and tax evasion, including cross-border issues.
- Address the problem of illicit flows, transfer pricing, tax havens and capital flight, which are generated and/or exacerbated by flawed taxation systems and weak reporting and accountability systems.
- End the intervention of the IFIs in national tax policies.
- Publicly disclose the following information in all states and territories: all tax laws and treaties; detailed national statistics for financial services activity and public accounts data; audited accounts for

all significant business entities and trusts, specifically disclosing turnover and tax paid with a breakdown for each entity in each territory or tax jurisdiction, and other improvements to disclosure; beneficial ownership of all business entities, trusts, bank and investment accounts, property, and any other assets.

- Develop comprehensive and automatic information exchange between all tax authorities.

## Official Development Assistance (ODA) and aid effectiveness

Aid-giving takes place in the context of the big divide between a few rich nations and the many that are impoverished, such as the LDCs. Rich, industrialised countries – colonisers in the past and “donors” and “development partners” in the present – bear a big part of the responsibility for global economic inequality and the massive net outflow of resources from the South to the North. Aid should therefore not be seen as charity, but as part of corrective justice.

Aid by itself is of course not enough to enable LDCs to meet the challenges of development. Far more strategically important would be transforming the policies and structures that perpetuate impoverishment and net resource outflows from the South. Nevertheless, ODA can go a long way towards enabling LDCs to shift to sustainable, productive and equitable economies.

The ODA commitment to LDCs of 0.15-0.20 per cent of the Gross National Income (GNI) of “donor” countries was reiterated in the Brussels Programme of Action in 2001. More than a decade later, ODA flows are nowhere near this target. LDCs need adequate and predictable financial flows to enable their sustainable development strategies to be implemented, not more promises of aid.

“Aid that puts people at the center – the billions of excluded, marginalised, silenced, and disempowered, the majority of whom are women; Aid that does not come with conditionalities, vested interests and deception; Aid that upholds the sovereignty and rights of countries and peoples; Aid that is managed democratically and in a transparent and accountable manner... This is the only kind of aid that can be effective.”

*2008 Statement on the Challenges to Aid Effectiveness, signed by more than 100 CSOs and distributed at the ACCRA High Level Forum on Aid Effectiveness*

In the last few years, a new mantra has been added to the discourse of aid – “aid effectiveness”. The “how” of aid delivery and management (transparency, accountability, etc) is important, but becomes irrelevant if the more fundamental question of the real objectives and impacts of aid are evaded. Aid should be measured in terms of the results it brings to the lives of the people for whom it is intended. It must be clearly demonstrated how aid addresses poverty eradication, the delivery of essential services, the promotion of social equity, human rights, gender equality, sustainable jobs and livelihoods, food sovereignty, environmental security and climate justice.

LDC governments should regard aid as a temporary source of inflows. Their strategic vision should be to build strong, sustainable, equitable and sovereign economies, and establish a just global economic order.

## **Calls to Action**

- Comply with ODA commitment to LDCs of 0.15-0.20 per cent; total aid flows currently stands at only 0.09 per cent even at the end of the Brussels Programme of Action for LDCs for the Decade 2001-2011. Moreover, total aid flows today are dwarfed by the flow of wealth and resources from the South to the North.
- Provide grants not loans. Loans constitute a big part of aid flows and add to the already huge debt stocks claimed from many countries in the South. Aid in the form of loans cannot effectively address poverty; it only worsens poverty, gender inequality and the crises of food, energy and climate.
- Provide untied aid without conditionalities. While every contract will have terms of agreement that reflect mutual responsibilities and obligations intrinsic to the financial transaction, conditionalities imposed by donors and lenders undermine the sovereignty of the nations and peoples of the South and violate the principle of democratic governance. In addition, there is ample evidence of the harmful impacts of many policy conditionalities and the grossly unfair and disadvantageous nature of other types of conditionalities that have accompanied loans and grants.
- Aid flows should support and complement national priorities defined through democratic processes in LDCs.
- Promote South-South financial cooperation between LDCs and non-LDCs, based on solidarity and freedom from conditionalities. Some countries in the South have the capacity to share resources such as financial and human resources and should be encouraged to do so.

## **Innovative sources of financing and the financial transaction tax (FTT)**

Even if there is intense mobilisation of domestic resources and ODA reaches the long-promised 0.7 per cent of GNI, substantial additional resources will have to be raised to cover the full costs of development and meet the challenges and threats of the energy, food and climate crises.

Innovative sources of financing will be necessary to mobilise sufficient resources, and in fact could contribute to more predictable financing compared to existing financial flows to developing countries.

Innovative financing includes different types of proposals (from international lotteries to advanced marketing mechanisms) but by far the most interesting are various kinds of taxation at an international level. Within that broad category, the proposal with the greatest potential in terms of resource mobilisation and impact is the financial transaction tax (FTT).

A small tax (eg 0.05 per cent) on a broad range of financial transactions would do more than mobilise up to US\$500 billion a year. Applied properly, it could temper financial speculation (by for instance having a negative impact on high frequency trading in financial markets), and it would draw resources mainly from major actors in the financial sector.

Even a relatively small part of the envisaged resources mobilised by an FTT would be sufficient to provide additional resources for development and the fight against climate change, leaving substantial amounts for safeguarding public services and social policy in developed and developing countries alike.

In recent years, social and political support for an FTT has increased dramatically, including from leading economists and politicians.

## **Calls to Action**

- Include a call for innovative financing in the draft outcome text of the LDC-IV, with a focus on those proposals with the greatest potential in terms of resource mobilisation and development.
- Agree on the principle of an international FTT to be used as an additional resource for development, the fight against climate change, and the financing of social policy and public services.
- Install as a first step a tax on a specific type of financial transaction, the currency transaction tax. Such a tax could be put in place rapidly at a national, country group or global level.

## 4. Addressing the problem of external debt

### Total and unconditional debt cancellation for all LDCs

Debt continues to be debilitating for most LDCs despite the two major “debt relief” programs of the past 15 years – the Heavily Indebted Poor Countries (HIPC) program and the Multilateral Debt Relief Initiative (MDRI) program.

Over two dozen LDCs qualified for the HIPC and MDRI programs, of which 23 were from Africa. However, total external debt claimed from LDCs still totaled more than US\$160 billion in 2009. This is in fact an increase from US\$136.5 billion in 2001 (See Tables on External Debt data for *all LDCs*.)

In 2009, LDCs paid more than US\$8.2 billion to service their external debt, almost US\$2 billion of which was interest payments on the debt. In many LDCs, more money is spent on debt servicing than on basic needs such as food and shelter or essential services like healthcare, drinking water and education. It is a grave injustice that such a huge amount of resources are allocated to pay debts in the face of the great need in LDCs for financial resources for basic human survival and for development.

There is a need for a new international initiative to address the debt problem without the constraints and flaws of the HIPC and MDRI. These debt relief programs were heavily criticised for covering too few countries and only part of the debt claimed from these countries. More significantly, these debt relief initiatives required compliance with conditionalities that had the effect of undermining the benefits of debt relief and causing harm to peoples’ livelihoods and well-being. A new international debt cancellation program for LDCs should be aimed at immediate, total and unconditional debt cancellation. This is urgently required to stop the massive outflow of resources from LDCs in the form of debt servicing.

#### External Debt as % of GNI

- **250%+:** Guinea-Bissau and Liberia
- **Above 120%:** DRC
- **75%+:** The Gambia, Sao Tome and Principe, Afghanistan, Laos
- **40%+:** Bhutan, Djibouti, Samoa (all non-HIPC/MDRI); Cambodia (received debt relief under MDRI); Burundi, Comoros, Guinea, Mauritania, Mozambique, Sudan, Togo (all received debt relief under HIPC and MDRI)
- **24%+:** Yemen, Solomon Islands, Nepal, Lesotho, Angola (all non-HIPC and MDRI); Zambia, Tanzania, Senegal, Sierra Leone, Malawi, Chad, Burkina Faso (all received debt relief under HIPC and MDRI)
- **16-23%:** all the rest

## Enhanced HIPC

Launched in 1996 by the World Bank and International Monetary Fund (IMF) and further “enhanced” in 1999 through decisions made at the G8 Summit, the Heavily Indebted Poor Countries (HIPC) debt relief initiative was aimed at multilateral and bilateral debt “relief” for selected countries that were within certain levels of “country income” and “country indebtedness” as defined by the IMF and the World Bank. Criteria for eligibility for HIPC debt relief include “a track record of reform and sound policies through IMF and World Bank supported programs.” Full and complete debt relief for eligible countries is conditioned on establishing “a further track record of good performance under programs supported by loans from the IMF and the World Bank,” “implement satisfactorily key reforms agreed at the decision point,” and “adopt and implement its PRSP for at least one year.”

## MDRI

The Multilateral Debt Relief Initiative (MDRI) was launched in 2005 at the G8 Summit and subsequently agreed to and implemented by relevant international financial institutions. MDRI involves the cancellation of multilateral debt of selected countries owed to the IMF, the World Bank, and the African Development Bank. While MDRI is distinct from the HIPC Initiative, it is tightly linked to it as only countries which have complied with HIPC conditionalities and other requirements (ie completion point countries) are eligible for MDRI.

*Sources: IMF and World Bank websites*

## Addressing illegitimate debt; Promoting independent, transparent and comprehensive debt audits

There is now growing recognition that the burden of public debt is beyond simply the question of debt sustainability and the impact of debt on public spending. Governments and IFIs have been challenged by debt movements with issues that point to the problem of “illegitimate debt”.

In 2006, the Norwegian government cancelled debts claimed from five countries – Sierra Leone, Egypt, Jamaica, Peru and Ecuador. The debts were incurred as part of a Norwegian ship export campaign in the 1970s.<sup>5</sup>

While the phrase was not invoked in its decision, the basis cited for this debt cancellation policy were issues that are covered by the “illegitimate debt” concept as raised by debt campaigns and international law experts. Further, the Norwegian government acknowledged “lender responsibility” – a vital element of the discourse. This was a historical move that helped draw international attention on the notion of illegitimate

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<sup>5</sup> Under the ship export campaign, Norway offered generous export credit guarantees, which helped it sell 156 vessels to 21 countries between 1976 and 1980. Many of these projects were economically unsustainable and the buyers defaulted, triggering the export credit guarantees, and transferring project debt to the Norwegian government.

<http://www.ft.com/cms/s/0/3879b2de-53d2-11db-8a2a-0000779e2340.html#ixzz1K6NPp569>

debt and lender responsibility and paved the way for discussions with IFIs and UN agencies on these questions.

There are many cases of illegitimate debt in LDCs. These commonly involve corruption and plunder of public resources, financing of projects with harmful impacts on people and the environment or with terms grossly disadvantageous to the people of the LDCs, and the violation of democratic processes and national laws. Lenders and borrowers share responsibility for illegitimate debt.

Cancellation of debts claimed from LDCs is not enough. There should be a comprehensive and determined effort on the part of the United Nations and its Member States to gain a deeper, sharper understanding of the issues covered by the discourse on illegitimate debt and pursue the transformation of processes, practices and policies that lead to re-accumulation of debt in general and illegitimate debt in particular. An immediate response should include independent, transparent and comprehensive debt audits.

## **Calls to Action**

- Immediate and unconditional cancellation of all debts of LDCs; moratorium on debt payments by LDC governments pending debt cancellation.
- Establish an international process with counterpart national processes aimed at a rigorous study of illegitimate debt, including case studies, in order to come up with policies to lead to full and unconditional debt cancellation and changes in lending and borrowing policies and practices.
- Promote and implement independent, transparent, and comprehensive audits of public debt.
- Pursue immediate changes in the policies and practices of lending and borrowing to move towards sovereign, democratic and responsible financing.

### External Debt Data of Least Developed Countries as of 2009

Least Developed Countries (48)		TOTAL External Debt (DOD, current US\$)	External Debt Stocks as % of GNI	Total External Debt Service	Total External Debt Interest Payments	External Debt, Long term (DOD, current US\$)			
						Debt Stocks,	Debt Service (LTDS)	Interest (LINT)	Payments
<b>Africa (33)</b>									
1	Angola	16,715,209,000	28.21	3,507,521,000	419,557,000	13,721,768,000	3,476,521,000		388,557,000
2	Benin	1,073,282,000	16.15	36,915,000	12,071,000	989,586,000	36,474,000		11,630,000
3	Burkina Faso #	1,835,141,000	22.89	41,701,000	15,432,000	1,724,813,000	41,425,000		15,156,000
4	Burundi #	518,004,000	38.91	19,345,000	4,123,000	419,782,000	11,834,000		3,552,000
5	Central African Republic #	395,983,000	19.97	31,869,000	3,626,000	250,379,000	12,091,000		3,222,000
6	Chad #	1,743,431,000	28.63	78,176,000	23,228,000	1,711,178,000	65,321,000		23,061,000
7	Comoros *	279,309,000	50.97	11,834,000	2,907,000	263,803,000	10,071,000		2,861,000
8	Democratic Republic of the Congo	12,183,393,000	121.42	699,927,000	251,318,000	10,788,017,000	543,916,000		245,457,000
9	Djibouti	752,420,000	67.18	29,308,000	7,690,000	731,929,000	25,018,000		7,605,000
10	Equatorial Guinea								
11	Eritrea	1,018,889,000		21,553,000	10,283,000	1,012,985,000	21,553,000		10,283,000
12	Ethiopia #	5,025,333,000	17.63	103,202,000	41,479,000	4,812,378,000	102,135,000		40,412,000
13	The Gambia	520,103,000	75.35	25,641,000	7,838,000	449,238,000	25,178,000		7,375,000
14	Guinea	2,926,289,000	48.31	129,087,000	33,091,000	2,827,262,000	115,934,000		32,724,000
15	Guinea-Bissau *	1,110,604,000	253.22	9,981,000	3,705,000	949,713,000	8,301,000		3,592,000
16	Lesotho #	705,283,000	33.21	37,656,000	7,566,000	681,139,000	31,583,000		7,432,000
17	Liberia	1,659,621,000	257.46	63,956,000	27,694,000	676,835,000	53,059,000		16,797,000
18	Madagascar	2,213,264,000		45,446,000	16,669,000	1,850,618,000	43,489,000		14,712,000
19	Malawi #	1,093,286,000	24.75	35,789,000	15,690,000	899,385,000	34,735,000		14,636,000
20	Mali #	2,667,143,000	29.65	80,515,000	25,905,000	2,591,614,000	80,000,000		25,390,000
21	Mauritania	2,029,488,000	66.60	77,665,000	24,319,000	1,850,586,000	76,585,000		23,239,000
22	Mozambique	4,168,490,000	42.99	43,317,000	28,813,000	3,354,315,000	37,953,000		23,449,000

23	Niger #	991,013,000	18.77	44,660,000	8,813,000	915,862,000	44,390,000	8,543,000
24	Rwanda #	747,049,000	14.93	25,889,000	12,562,000	725,466,000	25,787,000	12,460,000
25	São Tomé and Príncipe*	185,771,000	94.75	3,477,000	395,000	171,559,000	3,455,000	373,000
26	Senegal	3,502,916,000	27.12	200,462,000	52,047,000	3,318,228,000	199,007,000	50,592,000
27	Sierra Leone	444,107,000	23.36	7,271,000	3,784,000	370,893,000	6,956,000	3,469,000
28	Somalia	2,972,774,000		0	0	1,987,488,000	0	0
29	Sudan	20,139,432,000	40.49	482,524,000	117,557,000	12,997,619,000	465,392,000	111,047,000
30	Togo	1,639,903,000	57.55	55,471,000	14,002,000	1,501,527,000	54,710,000	13,241,000
31	Uganda #	2,489,672,000	16.16	71,119,000	22,095,000	2,245,044,000	67,073,000	18,049,000
32	Tanzania	7,324,759,000	34.01	164,202,000	58,818,000	5,653,049,000	150,165,000	44,781,000
33	Zambia #	3,049,204,000	26.79	171,340,000	47,508,000	2,230,057,000	160,748,000	36,916,000
	<b>Sub-total</b>	<b>104,120,565,000</b>		<b>6,356,819,000</b>	<b>1,320,585,000</b>	<b>84,674,115,000</b>	<b>6,030,859,000</b>	<b>1,220,613,000</b>

Asia (14)								
1	Afghanistan #	2,328,450,000		10,600,000	7,105,000	2,202,524,000	10,091,000	6,596,000
2	Bangladesh	23,820,176,000	23.97	956,569,000	228,043,000	21,206,348,000	902,456,000	197,347,000
3	Bhutan #	762,380,000	57.65	75,497,000	34,439,000	762,380,000	75,497,000	34,439,000
4	Cambodia	4,363,986,000	45.04	49,453,000	23,387,000	4,099,370,000	48,453,000	22,387,000
5	Kiribati *							
6	Laos #	5,538,876,000	95.51	242,022,000	76,943,000	5,523,252,000	236,343,000	76,854,000
7	Myanmar	8,185,900,000		28,931,000	19,961,000	6,320,119,000	10,931,000	1,961,000
8	Nepal #	3,682,958,000	28.71	176,553,000	33,809,000	3,562,966,000	172,915,000	32,420,000
9	Samoa *	235,499,000	48.98	8,461,000	2,478,000	226,397,000	8,458,000	2,475,000
10	Solomon Islands *	155,913,000	32.43	9,953,000	2,361,000	154,390,000	9,953,000	2,361,000
11	Timor-Leste *							
12	Tuvalu *							
13	Vanuatu *	129,808,000	20.67	5,623,000	2,100,000	98,808,000	4,910,000	1,387,000
14	Yemen	6,355,915,000	25.53	261,525,000	79,084,000	5,861,197,000	210,904,000	72,243,000
	<b>Subtotal</b>	<b>55,559,861,000</b>		<b>1,825,187,000</b>	<b>509,710,000</b>	<b>50,017,751,000</b>	<b>1,690,911,000</b>	<b>450,470,000</b>
<b>Latin America and the Caribbean (1)</b>								
1	Haiti *	1,243,873,000		44,723,000	15,152,000	1,077,511,000	41,033,000	14,578,000
	<b>TOTAL for all LDCs</b>	<b>160,924,299,000</b>		<b>8,226,729,000</b>	<b>1,845,447,000</b>	<b>135,769,377,000</b>	<b>7,762,803,000</b>	<b>1,685,661,000</b>

# also LLDCs

- also SIDS

Received HIPC and MDRI	Eligible for both HIPC & MDRI	received MDRI only
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### External debt stocks, total (DOD, current US\$), 2001-2010

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009
Angola	8,433,815,000	8,739,237,000	8,695,028,000	9,362,156,000	11,822,212,000	9,469,459,000	11,517,876,000	15,131,869,000	16,715,209,000
Benin	1,459,530,000	1,597,570,000	1,473,792,000	1,599,593,000	1,539,499,000	642,496,000	765,953,000	917,598,000	1,073,282,000
Burkina Faso	1,492,781,000	1,541,245,000	1,729,991,000	1,989,640,000	1,994,243,000	1,122,792,000	1,449,651,000	1,682,230,000	1,835,141,000
Burundi	1,076,433,000	1,213,701,000	1,328,099,000	1,390,365,000	1,321,825,000	1,411,799,000	1,455,650,000	1,443,166,000	518,004,000
Central African Republic	824,038,000	1,073,031,000	1,052,067,000	1,078,831,000	1,019,926,000	1,010,185,000	964,217,000	955,102,000	395,983,000
Chad	1,086,690,000	1,266,681,000	1,528,648,000	1,640,777,000	1,585,036,000	1,707,296,000	1,797,055,000	1,749,454,000	1,743,431,000
Comoros	246,994,000	274,569,000	293,139,000	307,446,000	291,774,000	296,686,000	291,774,000	281,985,000	279,309,000
Democratic Republic of the Congo	11,519,017,000	10,059,516,000	11,254,401,000	11,433,896,000	10,600,348,000	11,243,695,000	12,359,464,000	12,195,942,000	12,183,393,000
Djibouti	259,134,000	327,999,000	390,278,000	419,818,000	406,808,000	451,765,000	656,866,000	684,694,000	752,420,000
Equatorial Guinea									
Eritrea	395,747,000	490,142,000	607,568,000	705,703,000	724,544,000	784,932,000	859,772,000	961,436,000	1,018,889,000
Ethiopia	5,737,862,000	6,544,302,000	7,290,398,000	6,662,671,000	6,208,119,000	2,276,952,000	2,620,167,000	2,879,016,000	5,025,333,000
The Gambia	487,939,000	576,642,000	635,650,000	673,423,000	669,505,000	728,077,000	726,569,000	448,630,000	520,103,000
Guinea	2,935,161,000	3,101,832,000	3,179,563,000	3,136,485,000	2,898,267,000	3,046,028,000	3,142,961,000	3,093,708,000	2,926,289,000
Guinea-Bissau	901,582,000	973,637,000	1,060,942,000	1,104,471,000	1,012,960,000	1,036,193,000	1,072,884,000	1,083,595,000	1,110,604,000
Lesotho	597,711,000	654,491,000	703,199,000	766,629,000	661,953,000	649,893,000	677,577,000	688,810,000	705,283,000
Liberia	3,009,573,000	3,265,277,000	3,601,580,000	3,829,856,000	3,920,554,000	4,160,187,000	3,744,770,000	3,128,471,000	1,659,621,000
Madagascar	4,153,265,000	4,511,069,000	4,944,460,000	3,788,337,000	3,493,521,000	1,491,531,000	1,707,244,000	2,085,962,000	2,213,264,000
Malawi	2,584,374,000	2,886,888,000	3,098,241,000	3,427,338,000	3,183,172,000	872,377,000	835,881,000	959,399,000	1,093,286,000
Mali	2,909,929,000	2,827,109,000	3,114,334,000	3,330,770,000	3,259,899,000	1,656,298,000	1,992,241,000	2,124,503,000	2,667,143,000
Mauritania	2,285,246,000	2,265,796,000	2,344,433,000	2,323,309,000	2,307,950,000	1,617,945,000	1,705,116,000	1,986,551,000	2,029,488,000
Mozambique	4,886,482,000	5,050,421,000	3,909,218,000	4,529,215,000	4,210,876,000	2,706,824,000	2,965,543,000	3,450,361,000	4,168,490,000
Niger	1,619,316,000	1,845,620,000	2,125,213,000	2,015,827,000	2,017,432,000	829,010,000	925,277,000	928,348,000	991,013,000
Rwanda	1,281,000,000	1,432,148,000	1,533,994,000	1,654,609,000	1,508,890,000	403,665,000	561,657,000	652,408,000	747,049,000

São Tomé and Príncipe	315,012,000	341,108,000	350,205,000	371,258,000	344,770,000	359,556,000	173,021,000	177,480,000	185,771,000
Senegal	3,670,226,000	4,097,538,000	4,376,039,000	3,923,024,000	3,846,232,000	1,904,696,000	2,552,794,000	2,825,884,000	3,502,916,000
Sierra Leone	1,204,731,000	1,355,321,000	1,520,379,000	1,627,611,000	1,539,727,000	1,265,496,000	312,032,000	398,620,000	444,107,000
Somalia	2,562,829,000	2,688,868,000	2,837,973,000	2,848,683,000	2,750,450,000	2,837,772,000	2,943,628,000	2,948,751,000	2,972,774,000
Sudan	15,282,506,000	16,064,164,000	17,160,082,000	18,198,752,000	17,390,465,000	18,223,543,000	19,160,796,000	19,462,539,000	20,139,432,000
Togo	1,407,053,000	1,584,430,000	1,712,454,000	1,824,603,000	1,678,350,000	1,786,819,000	1,967,088,000	1,638,287,000	1,639,903,000
Uganda	3,731,282,000	3,979,845,000	4,534,601,000	4,744,475,000	4,419,198,000	1,256,502,000	1,606,611,000	2,245,880,000	2,489,672,000
Tanzania	6,466,729,000	7,098,267,000	7,273,186,000	8,578,048,000	8,354,934,000	4,048,752,000	5,007,613,000	5,963,959,000	7,324,759,000
Zambia	6,103,945,000	6,582,319,000	6,789,828,000	7,449,862,000	5,376,528,000	2,278,186,000	2,758,385,000	2,984,458,000	3,049,204,000
Afghanistan						928,986,000	1,973,712,000	2,088,877,000	2,328,450,000
Bangladesh	14,864,991,000	16,568,801,000	18,315,470,000	19,586,051,000	18,381,468,000	20,032,303,000	21,295,844,000	22,886,066,000	23,820,176,000
Bhutan	265,187,000	377,907,000	485,912,000	593,255,000	649,183,000	713,305,000	775,037,000	692,440,000	762,380,000
Cambodia	2,696,505,000	2,900,316,000	3,193,356,000	3,439,097,000	3,515,326,000	3,526,749,000	3,760,908,000	4,214,958,000	4,363,986,000
Kiribati									
Laos	2,492,780,000	3,047,031,000	2,323,065,000	2,615,627,000	2,843,779,000	3,377,020,000	4,388,220,000	4,954,527,000	5,538,876,000
Myanmar	5,763,101,000	6,727,625,000	7,509,449,000	7,482,955,000	7,011,710,000	7,261,927,000	8,237,189,000	8,001,653,000	8,185,900,000
Nepal	2,733,251,000	2,990,351,000	3,162,689,000	3,356,825,000	3,179,574,000	3,392,309,000	3,602,260,000	3,685,180,000	3,682,958,000
Samoa	134,026,000	146,732,000	166,913,000	174,718,000	167,500,000	163,739,000	185,895,000	205,592,000	235,499,000
Solomon Islands	163,207,000	179,849,000	177,963,000	177,045,000	166,452,000	173,520,000	177,295,000	165,896,000	155,913,000
Timor-Leste									
Tuvalu									
Vanuatu	71,589,000	90,469,000	96,974,000	120,669,000	82,098,000	83,112,000	98,193,000	125,826,000	129,808,000
Yemen	5,136,784,000	5,275,069,000	5,459,329,000	5,550,336,000	5,439,287,000	5,643,540,000	6,089,211,000	6,257,770,000	6,355,915,000
Haiti	1,255,537,000	1,250,620,000	1,345,329,000	1,311,044,000	1,326,996,000	1,504,651,000	1,580,124,000	1,946,494,000	1,243,873,000
<b>Total</b>	<b>136,504,890,000</b>	<b>145,865,553,000</b>	<b>154,685,432,000</b>	<b>161,145,103,000</b>	<b>155,123,340,000</b>	<b>130,378,568,000</b>	<b>143,442,021,000</b>	<b>153,384,375,000</b>	<b>160,924,299,000</b>

Source: Global Development Finance and World Development Indicators 2011, World Bank

## 5. Transformation of the international financial system

The current financial crisis has dramatically highlighted the flaws and irrational nature of the international financial system. Much of international financial flows and investments have little to do with the real economy – the production of goods and services. Rather, trillions of dollars are invested in speculative instruments with the singular purpose of making quick profits. These financial activities not only fail to contribute to equitable and sustainable development, they have had extremely harmful effects on economies and peoples' livelihoods and welfare.

### Speculative activity on staple commodities

Speculation by buyers and sellers of commodities has been used for over 100 years to enable commodity traders and processors to protect themselves against short-term price volatility: buyers are protected against sudden price increases and sellers against sudden price falls. Commercial speculation is a form of price insurance for traditional commodity buyers and sellers. However, in today's deregulated financial world, speculation has become excessive relative to the value of the commodity as determined by supply and demand and other fundamental factors.

### Speculation and the food price crisis

The harmful impacts of speculative activities in the international financial system are dramatically in evidence in the food crisis.

World food prices have roughly doubled over the past three years, but between April 2007 and April 2008 alone they increased by 85 per cent. During this period there was more than an 80 per cent increase in the price of wheat and a 90 per cent increase in the price of maize on world markets. Prices then fell rapidly in a matter of weeks in the second half of 2008. Millions of people in LDCs went hungry and food riots swept major cities around the world. The sudden increase in food prices had terrible immediate impacts on vulnerable families around the world, not to mention long-term damage to the fight against global poverty.

"The financial system – in its international and national articulations – has evolved into a complex architecture riddled with its own internal, inhuman, irrational and unjust logic, policies and practices. It must be completely transformed.

The financial system cannot be made just and fair unless the economic order it emanates from and supports is also changed. The construction of a new financial system must be part of a larger agenda and process of changing the global economic order."

*South-North Platform on Sovereign, Democratic and Responsible Finance, 2009*

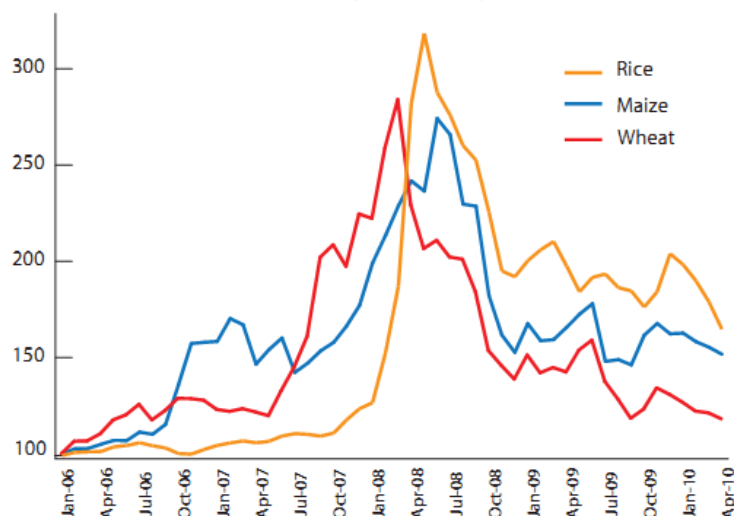
The food price crisis coupled with the crisis of unemployment dealt a lethal blow to the livelihoods of poor households, who spend a substantial share of their income on basic food commodities, by reducing considerably their effective purchasing power. Poor households in developing countries tend to spend between 50 and 90 per cent of their income on basic food commodities. High food prices meant increased spending on food and/or eating less to stretch the food budget. Families were compelled to subsist on less nutritional food, eschewing fruit, vegetables, dairy and meat in favour of staple foods. This resulted in an increase in the number of chronically malnourished people by 75 million in 2007 and a further 40 million in 2008.

According to the United Nations' World Food Programme, 12 of the 16 "hunger hotspot countries" are LDCs. Thirteen LDCs were classified as severely affected by high commodity prices and at high risk of a food crisis in 2008.

Another food price crisis is currently brewing in many parts of the world. In January 2011, the UN food price index rose for the sixth month in a row to its highest since records began in 1990. The Food and Agriculture Organisation food index hit 230 in March 2011, 37 per cent above March 2010.<sup>6</sup> The wildfires in Russia,

floods in Pakistan and Australia, and droughts in China all contributed to the surge in prices of staple crops in 2011. In the annual spring meeting of the World Bank and the IMF, Bank President Robert Zoellick said the global economy is "one shock away" from a crisis in food supplies and prices.<sup>7</sup> Needless to say, LDCs will be hit worst despite agriculture being the biggest sector in many of these countries.

**Figure 1:** *World price indices of selected cereals*  
(Jan-06=100)



Source: FAO 2010.

<sup>6</sup> FAO Food Price Index, Release date: 07/04/2011

<sup>7</sup> 'One shock away from crisis', BBC News, 17 April 2011

The diversion of arable land towards agro-fuel production, changes in crop yields, the fall in the value of the dollar, as well as excessive food consumption and waste in rich countries have all affected prices in recent years.

However, a recent report published by the Institute for Agriculture and Trade Policy (IATP) suggests that “amidst the food price crisis, speculation is a major contributor to extreme price volatility, which is skewing agriculture commodity markets to such a degree that both farmers and consumers are losing out.”<sup>8</sup>

Similarly, in a report entitled “The great hunger lottery”, the World Development Movement has compiled extensive evidence establishing the role of food commodity derivatives in destabilising and driving up food prices around the world.<sup>9</sup>

At a public symposium hosted by UNCTAD in May 2010, Heiner Flassbeck, director of UNCTAD’s division on globalisation and development strategies, asserted that financial speculation is the problem. “Even in agriculture and food,” he said, “prices are not following supply and demand but are determined by financial speculation. This is unacceptable, not only because it brings about hunger but because financial markets are terribly distorting. We have to challenge the main dogma of the last 30 years that the market is always right. Financial markets, most of the time, are wrong and governments have the obligation and responsibility to build informed opinions on these prices.”<sup>10</sup>

According to the FAO, as of March 2008, volatility in wheat prices reached 60 per cent beyond what could be explained by supply and demand factors. The FAO tacitly admits that the upward swing might have been amplified by speculation in organised futures apart from actual changes in the supply and demand of certain commodities.

Commodity Index Funds have become the most notorious speculative instrument in use today partly because of the huge amounts of money invested through them and the price volatility that results from index fund “bets”. Commodity index funds bundle futures contracts according to a formula that weighs and tracks the prices of up to 24 agricultural and non-agricultural commodities as a single financial instrument. Banks such as Goldman Sachs and Deutsche Bank created index funds to allow institutional investors to “invest” in the price of food as one might with assets like shares, and these index funds have since become the primary vehicle for speculative capital involvement in food commodity markets.

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<sup>8</sup> *Commodities Market Speculation: The Risk to Food Security and Agriculture*, Institute for Agriculture and Trade Policy, November 2008

<sup>9</sup> *The great hunger lottery: How banking speculation causes food crises*, Tim Jones, World Development Movement, July 2010

<sup>10</sup> <http://ipsnews.net/africa/nota.asp?idnews=51400>

## Speculation and the energy crisis

Excessive speculation is also blamed for the steep increase in the price of oil in the latter half of the last decade. The price of a barrel of oil increased from US\$60 in 2006 to almost US\$150 in mid-2008, before falling rapidly to US\$40 in a matter of weeks. A report of the World Development Movement, suggests that “whilst there are underlying reasons for a rising oil price, these extreme swings strongly suggest a role for speculation.” This spike in the price of oil not only amplified the food price crisis, it also resulted in stalled economic growth, reduced access to energy, and increased energy import bills for many LDCs, exacerbating the already crippling energy poverty that LDCs have come to face in today’s world.

Regulating commodity markets is a vital step in tackling hunger and reshaping the international financial system to work for the benefit of people rather than a few bankers and speculators. UNCTAD notes that given the opposition of some member states to commodity agreements to manage price instability, “stricter regulatory measures that help contain speculation on commodity markets could be one important step” in moderating the price instability than impedes both economic growth and planning in most developing countries.<sup>11</sup>

At the event “Recovering from the Global Crisis: Towards an Action Plan for Africa and the Least Developed Countries” in June 2009, Under Secretary-General Cheick Sidi Diarra stated as part of his action plan for recovery that “the financial crisis underscores the importance of sound regulation and supervision of the financial sector [...] and that there is [...] a need for proper regulation and oversight of the financial sector to avoid excessive risk-taking by financial institutions. It is also important to closely monitor the banking sector as weaknesses in the real economy can lead to loan default, further increasing the fragility of the financial sector.”<sup>12</sup>

A major impediment to regulating the global financial sector is that deregulation and liberalisation of financial services are part of the many bilateral and regional free trade agreements (FTAs) that are currently being negotiated or have been implemented over the last few years. As a result, risky financial products such as speculative derivative trading, largely responsible for the current financial crisis, can be introduced in countries that sign these agreements. FTAs can make it very difficult for countries to ban speculation in food prices through banning trade in food derivatives that contribute to the food crisis.

A global FTT or Tobin Tax would discourage speculative trading and at the same time generate revenue that can be channelled to the world’s poorest countries to supplement ODA. Calls for a Tobin Tax of between 0.1-1 per cent have gathered momentum in the wake of the financial crisis, and estimates of potential revenue reach in the hundreds of billions of dollars per year, enough to solve a lot of the world’s problems. The European Parliament recently voted through a resolution supporting the installment of an FTT, preferably

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<sup>11</sup> UNCTAD Trade And Development Report, 2008

<sup>12</sup> <http://www.unu.edu/media/USG%20statement%20at%20the%20Side%20event-June%2025.09.pdf>

on a global level, and if that is not feasible on a European level. The resolution calls for the development of a low-rate FTT that could raise around €200 billion per year in the EU.<sup>13</sup> The UN General Assembly and all member states must work towards implementing this tax on a global level not only to raise revenues to boost the real economy but also to discourage speculative trading by making it more costly.

## **Calls to Action**

Finance should be subordinated to support real economy and not speculative processes with severe impacts on the economies of Southern countries. Global economy should be de-financialised and subordinated to binding rules. Towards this, there should be immediate action on

- Tight regulation of speculative activities especially; ban speculation on food commodities.
- Review and reversal of financial liberalisation agreements and policies that undermine LDCs democratic regulation of financial flows and activity.
- A review of the mandate and operations of the IFIs such as the IMF and the World Bank towards the establishment of alternative institutions.

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<sup>13</sup> Europe backs a Robin Hood Tax, Tax Justice Network, March 2011

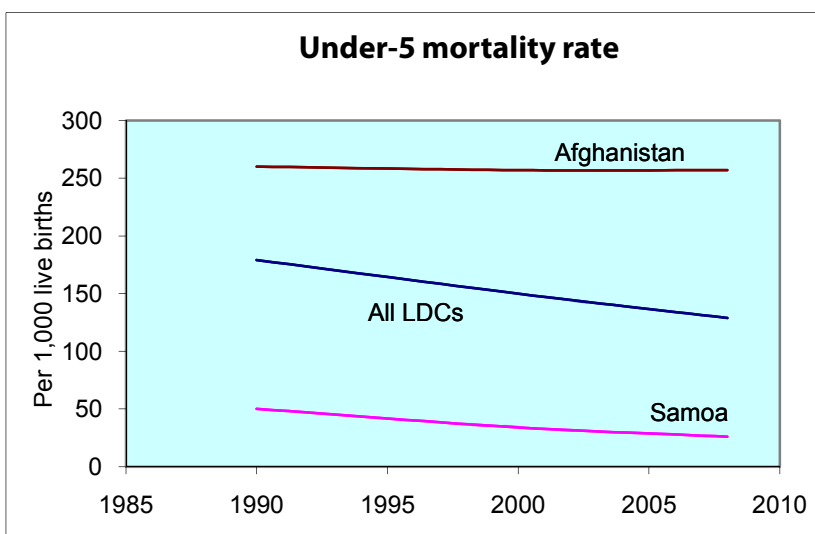
## 6. Agriculture and Food Sovereignty

The Global Hunger Index (GHI) is a multi-dimensional approach to measure hunger. It combines equally weighted indicators such as the under-five mortality rate, the prevalence of underweight in children and the proportion of the population that is undernourished.

According to the GHI, more than a quarter of the world's population is denied access to sufficient food, which exposes human insecurity in its crudest form. The worst affected in terms of per centage are Angola (25.3), Burundi (38.7), the Democratic Republic of the Congo (39.1), Central African Republic (26.9), Eritrea (36.5), Ethiopia (30.8), Haiti (28.2), Madagascar (28.3), (Mozambique (25.3), Niger (28.8), Rwanda (25.4), Sierra Leone (33.8), Timor-Leste (25.4), Yemen (27), and Zambia (25.7). In at least 11 LDCs (Burundi, Comoros, the Democratic Republic of the Congo, Republic of the Congo, The Gambia, Guinea-Bissau, Liberia, Madagascar, Sierra Leone, Swaziland and Zambia), the GHI has increased since 1990, meaning not just the number but the per centage of hungry people has increased in the past twenty years.<sup>14</sup>

From 1990 to 2006, of 39 LDCs for which data is available, only two countries – Ethiopia and Myanmar – were able to reduce the proportion of their population that was undernourished by 25 per cent. Twelve countries reduced this by less than 10 per cent, while the proportion of the undernourished increased in as many as nine countries (Burundi, Democratic Republic of the Congo, Eritrea, The Gambia, Madagascar, Sierra Leone, Tanzania, Zambia and Yemen).

The under-five mortality rate in LDCs has declined from 179 in 1990 to 129 in 2008 per 1,000 live births. This is still high, and is indicative of LDC children's poor access to nutritional food. The situation is particularly severe in Afghanistan, Angola, Chad and Somalia, where the under-five mortality rate is 200 and above. Among the LDCs,



Source: State of the World's Children Special Edition, Statistical Tables, UNICEF.

<sup>14</sup> 2009 Global Hunger Index, Welt Hunger Hilfe, IFPRI & Concern Worldwide, 2009, Bonn, Washington, D.C. and Dublin.

Afghanistan has the highest under-five mortality rate, while Samoa has the lowest (257 and 26 respectively in 2008).<sup>15</sup>

According to data from 2003-2008, one-third of the children below five years of age are severely or moderately underweight. The proportion of underweight children is as high as 40 per cent or more in some countries like Eritrea, Bangladesh, Nepal, Timor-Leste and Yemen. One striking feature of the period from 1995 to 2010 is the decline of life expectancy in several countries, such as, Central African Republic, Chad, Lesotho and Mozambique. Such undernourishment is a direct consequence of low levels of income and food consumption. In terms of the international purchasing power parity dollar income of 1.25 per day, the poverty rate in 2007/08 was more than 80 per cent in at least three countries: Burundi (81 per cent, Liberia (84 per cent) and Tanzania (89 per cent).<sup>16</sup> A striking feature of the period from 1995 to 2010 is the actual decline of life expectancy in several countries, such as the Central African Republic, Chad, Lesotho and Mozambique.

The slow growth in food production coupled with high population growth has led to an increased food deficit. While the total import bill of LDCs for food was US\$9 billion in 2002, it increased to US\$24 billion in 2008.<sup>17</sup> Some exogenous factors contributed to the low production and stagnant nature of the agricultural sector in most LDCs.<sup>18</sup>

ODA support for agricultural development has waned as the focus shifted to the social sectors and to investments in human resources and, subsequently, to governance issues. The share of total ODA that was channelled to agricultural development fell sharply in the 1980s and 1990s, from 16 per cent in 1980 to less than 4 per cent in 2005.<sup>19</sup>

Poor nutrition affects health, education and the ability to participate fully in the economy and in society. Most often, it is women and children who suffer the most from food insecurity.

## **Food security and food sovereignty**

Food security has been defined as a state in which people have physical, social and economic access to sufficient, safe food that meets their dietary needs and preferences for an active and healthy life at all

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<sup>15</sup> *State of the World's Children Special Edition, Statistical Tables*, UNICEF.

<sup>16</sup> Ibid.

<sup>17</sup> UNCTAD (2010), op cit.

<sup>18</sup> ILO (2011), op cit.

<sup>19</sup> *World Development Report 2008, Agriculture for Development*, World Bank, 2007, Washington, D.C.

times.<sup>20</sup> Farmers' movements and other peoples' organisations have successfully introduced the concept of 'food sovereignty' to the discourse.

According to the "Declaration of Nyéléni" of the 2007 International Forum for Food Sovereignty: –

"Food sovereignty is the right of peoples to healthy and culturally appropriate food produced through ecologically sound and sustainable methods, and their right to define their own food and agriculture systems. It puts the aspirations and needs of those who produce, distribute and consume food at the heart of food systems and policies rather than the demands of markets and corporations. It defends the interests and inclusion of the next generation. It offers a

### **Women's empowerment and food security / sovereignty**

Women's empowerment is inversely linked with hunger. According to the 2009 GHI and the 2008 Gender Gap Index, Chad has the fifth highest levels of hunger worldwide and is in second place in terms of gender inequality. Educational inequalities in particular are pervasive. Chad has a literacy rate of only 13 per cent among women compared with 41 per cent among men. Primary education enrolment is only 50 per cent among women, compared with 72 per cent among men. Women's low status in Chad and its impact on hunger levels may be linked to high fertility rates, extremely low contraceptive use, and the fact that 1 in 11 women face a lifetime risk of maternal death.

strategy to resist and dismantle the current corporate trade and food regime, and directions for food, farming, pastoral and fisheries systems determined by local producers and users. Food sovereignty prioritises local and national economies and markets and empowers peasant and family farmer-driven agriculture, artisanal-fishing, pastoralist-led grazing, and food production, distribution and consumption based on environmental, social and economic sustainability. Food sovereignty promotes transparent trade that guarantees just incomes to all peoples as well as the rights of consumers to control their food and nutrition. It ensures that the rights to use and manage lands, territories, waters, seeds, livestock and biodiversity are in the hands of those of us who produce food. Food sovereignty implies new social relations free of oppression and inequality between men and women, peoples, racial groups, social and economic classes and generations."

## **Agricultural policy and food security / food sovereignty**

Agriculture is crucial to food security / food sovereignty not just in terms of production of food crops but also in terms of providing livelihoods for the majority of people in LDCs. Many LDCs are characterised by particularly high rural population densities such as in Burundi, Rwanda, Lesotho, and Bangladesh. Agriculture accounts for 70 per cent of employment in LDCs.

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<sup>20</sup> *Global Forum on Local Government Report – Pursuing the MDGs through Local Government*, Kampala, Uganda, October 4-6, 2010, UN Capital Development Fund, New York.

Strengthening the agricultural system in LDCs should be a major strategy for addressing hunger and extreme poverty and beyond that, for equitable and sustainable development of LDCs.

However, for many years the agricultural sector has been neglected. Lack of investment in strengthening the sector has been exacerbated by insecure land tenure, lack of access to finance, and poor transport and other infrastructure. Meanwhile, many developed countries have heavily subsidised their farmers and dumped food through international supply chains or in the form of food aid. As a result, many LDCs have become net food importers and have been unable to benefit from the recent rise in prices of food commodities.

### **Coping with scarcity in Bangladesh**

In Bangladesh, it is traditional for people to have three meals a day under normal conditions. Other than those who catch fish or raise fish in ponds, Bangladeshis usually consume fish once a week or even once a month. Meat consumption is even rarer, and may only happen twice a year during the festivals or when relatives visit. Those who raise poultry eat eggs occasionally.

Employment is scarce and consequently food is scarce, particularly in the pre-harvest months from mid-June to mid-August, mid-October to mid-November, and mid-March to mid-April when demand for farm labour drops. During these months, termed *taner mash* (month of deficit) or *monga* (scarce), many people take two meals a day or even one meal. In Bandarban district, the period of scarcity runs from mid-June to mid-September, when the farmers are deeply involved in *jum* (shifting cultivation in the hills).

Some farmers survive by engaging in earthwork provided by NGOs as emergency support in the period of *monga*. Such support is given to selected members of respective groups, but can only meet their needs for a week at a time. The resilience of the people is well known, but many have to resort to distress sales or mortgage of assets to survive and/or borrow money or rice at exorbitant interest rates.

*Ahmad, Mohiuddin (2009), Comprehensive Poverty Reduction Program – a mid-term review, CCDB, Dhaka.*

### **Calls to Action**

- Formulate of agrarian reform policies and their implementation in favour of smallholder farmers. These initiatives must take into account the productive resources that are essential for the acceleration of agricultural production (e.g. land, forest, water, fisheries, pastures).
- Focus on the needs, strengths and rights of smallholder farmers, particularly women, supporting them to organise into producer associations or cooperatives and to add value to their indigenous production systems.
- Focus on producing to meet the needs of the people and on the establishment of a just food distribution system oriented to providing affordable food for the needy wherever they are living.
- Promote economically viable, socially acceptable and ecologically sustainable farming practices so that the food sovereignty of LDC people is strengthened.
- Promote agricultural research that builds on seed diversity and socio-cultural farming practices.

- Take international action to regulate supply chain concentration, food speculation, land grabs, genetically modified seeds, and large scale biofuel production.
- Respect for the right of LDCs to protect their agricultural sector, especially small-scale producers”.
- Provide new and additional finance/investment to support adaptation and strengthened resilience to climate change-related impacts.
- Promote suitable agricultural extension and capacity development.
- Provide additional investment in employment generation in rural areas, and government regulation to ensure labour rights are respected.

## 7. Environmental crisis and climate change

The impacts and threats of climate change are huge for the people of the LDCs because of the economic and social vulnerabilities accumulated over many years. They stand to bear the brunt of its most harmful consequences, and yet the people of the LDCs and other countries of the South are not responsible for this problem.

### Responsibility for climate change and the notion of climate debt

From an ethical and rights-based framework, each person on the planet has a right to an equal share of the earth's "carrying capacity" to absorb greenhouse gases safely: what is often referred to as "carbon space" or "atmospheric space".

Science and history shows that rich industrialised countries, or the countries of the North, directly account for three quarters of historical emissions of greenhouse gases (GHGs) even as they comprise only one quarter of the world's population (See Table below).

	<b>Cumulative emissions of GHGs from 1850 to 2008</b>		<b>Population share</b>	<b>Excess</b>
Global	1,214 Gigatons	100%	100%	
• Global 1850-1990	Approx 650 Gigatons			
• Global 1991-2010	Approx 600 Gigatons			
Annex 1 Countries	878 Gigatons	72%	25%	568 Gigatons
Non-Annex 1 Countries	336 Gigatons	28%	75%	
<i>Source: The Equitable Sharing of Atmospheric and Development Space: Some Critical Aspects. South Centre, Khor, M., 2010</i>				

Thus, industrialised countries have deprived the people of countries of the South their rightful share of carbon space. The people of the LDCs, with the lowest per capita emissions, have lost the most. In 2007 the US had a GHG per capita of 18.9 tons while LDCs had a per capita range of 0.02 tons (Burundi) to 0.99 tons (Yemen), the only exception being Equatorial Guinea (See Table on emissions per capita).

Further, excessive emissions from the countries of the North have resulted in global totals of GHGs surpassing levels deemed to be safe for the climactic integrity of the planet, the heaviest consequences of which will be borne by the people of the South.

The result is a climate debt owed by northern to southern countries, or by developed to developing countries. The concept of climate debt was introduced in the negotiations over climate change treaties and

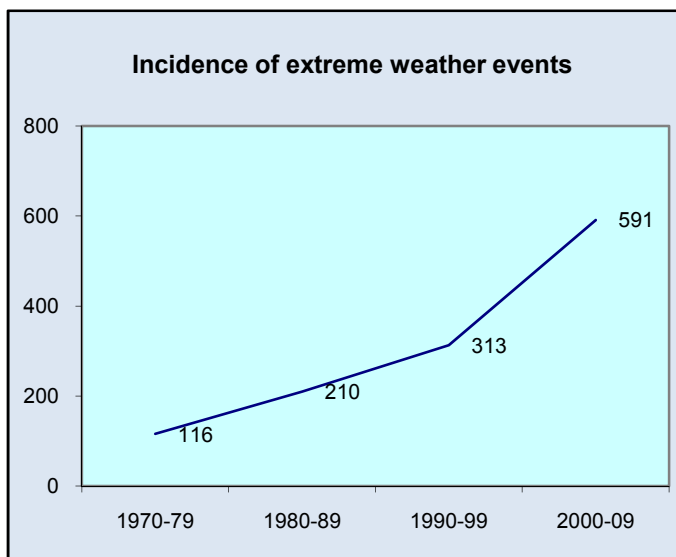
in the climate justice struggles of recent years. It is a debt that includes 1) the carbon space that was taken from developing countries rightful share, and 2) the impacts of the crisis on the people, environment and societies in the South.

The concept of climate debt is not totally new to the negotiations. It resonates with the principles of “historical responsibility” and “common but differentiated responsibility” that are part of the UN Framework Convention on Climate Change (UNFCCC).

For many civil society movements working on climate, including many from LDCs, reparations for climate debt is “a fundamental starting point for climate justice”. Reparations should include deep, drastic emissions cuts on the part of northern countries so southern countries can reclaim their carbon space, and a transfer of finance and technology for the full costs of adaptation and mitigation in the South.<sup>21</sup>

### Impacts of climate change on LDCs

Climate change involves the increase in intensity and frequency of extreme weather events such as blizzards, cyclones, storms and floods. These events have been increasing in frequency as global temperatures have risen in recent decades. In LDCs, the incidence of extreme weather events rose from 116 in the 1970s to 591 in the 2000s, with a consequent heavy loss of lives and assets.<sup>22</sup>



Source:  
UNCTAD Secretariat estimates,  
based on EM-DAT: OFDA/CRED  
International Database

Massive dislocation and destruction from disasters are of course not the only life-threatening and life-altering consequences of climate change. The coastal areas and small islands are subject to dangerous if less

<sup>21</sup> For a more detailed document on civil society perspectives on Climate Justice, see “Asian Platform for Climate Justice” adopted in 2009 by Asian movements and peoples organisations and endorsed by LDC Watch

<sup>22</sup> UNCTAD Secretariat estimates, based on EM-DAT: OFDA/CRED International Database ([www.emdat.net](http://www.emdat.net)), United Nations (2010), op cit.

immediately obvious effects of rising sea levels – including increase in soil salinity, diminishing land area, and eventual disappearance of small islands. The melting of glaciers combined with desertification is as significant and poses immediate threats to access to fresh water.

Changes in precipitation patterns will wreak havoc on agriculture leading to, among other things, changes in cropping patterns and yields. The impacts of rising temperatures on the survival and evolution of bacteria, viruses and insects will have untold effects on plant, animal and human health.

The following table lists some of the major effects on regions where most LDCs are located:

Sub-Saharan Africa (SSA) Impacts	Sectoral Vulnerabilities
<p><b>Temperature</b></p> <ul style="list-style-type: none"> <li>Higher warming rates throughout SSA in all seasons compared to the global average</li> <li>Drier subtropical regions likely to become warmer than the more temperate tropical zones</li> </ul> <p><b>Precipitation</b></p> <ul style="list-style-type: none"> <li>Declining precipitation in current semi-arid and arid parts of SSA</li> <li>Annual rainfall in southern SSA has declined</li> <li>Annual mean rainfall in East SSA has increased</li> <li>Greater rainfall in the Sahel may be counteracted through evaporation</li> </ul> <p><b>Extreme Weather Conditions</b></p> <ul style="list-style-type: none"> <li>Increased frequency and intensity of extreme events, causing droughts and floods in SSA</li> </ul> <p><b>Adaptation Capacity</b></p> <ul style="list-style-type: none"> <li>Low adaptive capacity to climate change due to widespread poverty, weak institutions, low levels of human capital,</li> </ul>	<p><b>Water</b></p> <ul style="list-style-type: none"> <li>Predictions of severe water shortage by 2020 for 72-220 million people</li> <li>Increased water stress due to: <ul style="list-style-type: none"> <li>50% decrease in the size of Lake Chad (since 1970)</li> <li>Decreased rainfall, increased potential evaporative losses (15-25%) and diminished runoff (30-40%) from the Zambezi River affecting water supply in Angola, the Democratic Republic of the Congo, Malawi, Mozambique, Tanzania and Zambia</li> </ul> </li> </ul> <p><b>Agriculture and Food Security</b></p> <ul style="list-style-type: none"> <li>Reduced agriculture yields due to heat-related plant stresses</li> <li>50% decline in rain-fed crops by 2020 which could make crop revenues fall by 90%</li> <li>Worsening food insecurity and increased malnutrition</li> <li>Decline in fisheries supply due to rising water temperature</li> </ul> <p><b>Health</b></p> <ul style="list-style-type: none"> <li>Expansion of malaria prone areas</li> </ul>

<p>inadequate physical infrastructure, and conflicts</p>	<ul style="list-style-type: none"> <li>• Transmission of dengue fever, meningitis and cholera</li> </ul> <p><b>Ecosystems and biodiversity</b></p> <ul style="list-style-type: none"> <li>• Desertification especially in Sahel and southern SSA</li> <li>• Deforestation, forest fires and degradation of grasslands</li> <li>• Risk of faunal extinction could go up by 25-40%</li> </ul> <p><b>Coastal Zones</b></p> <ul style="list-style-type: none"> <li>• Threat of inundation in East SSA and degradation of marine ecosystems</li> </ul>
Asia Impacts	Sectoral Vulnerabilities
<p><b>Temperature</b></p> <ul style="list-style-type: none"> <li>• Warming above the global mean temperature in central, eastern, northern and southern Asia</li> </ul> <p><b>Precipitation</b></p> <ul style="list-style-type: none"> <li>• Rise in precipitation in northern, southern and eastern Asia</li> <li>• Less precipitation in central Asia especially during summer</li> <li>• Reduction in Himalayan and Tibetan Plateau glaciers making Bangladesh and Nepal prone to flooding during the wet season</li> <li>• For the whole of Asia, a 3% increase in precipitation by 2020, a 7% increase by 2050</li> </ul> <p><b>Extreme Weather Conditions</b></p> <ul style="list-style-type: none"> <li>• Increased frequency and intensity of extreme events:</li> </ul>	<p><b>Water</b></p> <ul style="list-style-type: none"> <li>• Decreasing freshwater availability could affect 100 million people in central, southern and eastern Asia</li> <li>• Melting glaciers could increase incidence of flooding and destruction of river flows</li> </ul> <p><b>Agriculture and Food Security</b></p> <ul style="list-style-type: none"> <li>• Water stress due to decline in water supply and soil moisture during the dry season</li> <li>• Reduced rice yields impacting trade and economic growth prospects in Asia</li> <li>• Land degradation and desertification</li> </ul> <p><b>Health</b></p> <ul style="list-style-type: none"> <li>• Rise in heat stress</li> <li>• Greater incidence of water-borne diseases and endemic mortality due to diarrheal diseases</li> </ul>

<ul style="list-style-type: none"> <li>○ More tropical cyclones, droughts and El Niño events</li> <li>○ Flooding and landslides</li> <li>○ Long summer heat waves in east Asia</li> </ul> <p><b>Adaptive Capacity</b></p> <ul style="list-style-type: none"> <li>● Widespread poverty, income inequality, weak institutions and limited technology hinder adaptation of Asian LDCs to climate change</li> </ul>	<p>caused by extreme flooding</p> <p><b>Ecosystems and Biodiversity</b></p> <ul style="list-style-type: none"> <li>● Forest fires</li> <li>● Extinction of species</li> </ul> <p><b>Coastal Zones</b></p> <ul style="list-style-type: none"> <li>● Coastal zones and low-lying delta areas in Myanmar, Cambodia and Bangladesh severely affected by rising sea levels and greater frequency of storms</li> </ul>
<p><b>Impacts on LDC SIDS</b> (Small Island Developing States)</p>	<p><b>Sectoral Vulnerabilities</b></p>
<p><b>Temperature</b></p> <ul style="list-style-type: none"> <li>● Predicted warming in Indian Ocean, North-South Pacific and Caribbean SIDS</li> </ul> <p><b>Precipitation</b></p> <ul style="list-style-type: none"> <li>● Increase in annual rainfall in the equatorial Pacific, northern Indian Ocean and Maldives</li> <li>● Predicted decline in rainfall in the Indian Ocean and Eastern Pacific, crucial for SIDS as most rely on rain for drinking water</li> </ul> <p><b>Extreme Weather Conditions</b></p> <ul style="list-style-type: none"> <li>● Increased frequency and intensity of extreme events: <ul style="list-style-type: none"> <li>○ Cyclones, storms, floods</li> <li>○ Coral bleaching</li> </ul> </li> </ul> <p><b>Adaptation Capacity</b></p> <ul style="list-style-type: none"> <li>● Structural economic weaknesses and high dependence on natural resources as a source</li> </ul>	<p><b>Water</b></p> <ul style="list-style-type: none"> <li>● Rising sea level and changes in precipitation compromise water supply, eg Kiribati could face a 30% shortage of fresh water supply by 2050</li> </ul> <p><b>Agriculture and Food Security</b></p> <ul style="list-style-type: none"> <li>● Reduced agricultural yields due to sea level rise, soil salinisation and decline in the freshwater supply</li> <li>● Reduced production in the fisheries sector due to damage caused by cyclones and rising ocean temperature</li> </ul> <p><b>Health</b></p> <ul style="list-style-type: none"> <li>● Spread of diseases like malaria and dengue</li> </ul> <p><b>Ecosystems and Biodiversity</b></p> <ul style="list-style-type: none"> <li>● Reduction of mangrove plantations, sea grasses and coral reefs</li> <li>● Destruction of forests caused by extreme weather</li> </ul>

of livelihood and national income limit adaptive capacity	conditions  <b>Coastal Zones</b> <ul style="list-style-type: none"> <li>• Destruction of coastal settlements, infrastructure and exacerbation of coastal erosion</li> </ul>
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Source: *The Least Developed Countries Report: Towards a New International Development Architecture for LDCs*, United Nations, 2010, Geneva.

## Climate change and development for LDCs

Climate change intensifies the challenge of development for LDCs in terms of both urgency and complexity.

On the one hand, poverty eradication and economic empowerment lies at the core of the task of adaptation. Building resiliency to the effects of the climate crisis and developing capacity for the inevitable changes that global warming will require of human societies is part of this task.

On the other hand, development paradigms and strategies for LDCs will have to be radically re-designed to meet the task of shifting to sustainable and low-emission systems. Learning from history and the negative example of rich industrialised economies, LDCs must move away from a system built on wanton extraction of resources for profit and shift away from a development path that result in excessive emissions of GHGs.

Climate change impacts are increasing in magnitude, while the window of opportunity to avoid catastrophic, irreversible effects is closing. The interrelated challenges for both development and climate cannot be met without urgent action on the part of northern countries and the international community as a whole.

## Calls to Action

**For the UN Member States of Rich, Industrialised Countries, referred to in UNFCCC as Annex 1 Countries:**

- Commit to deep, drastic, unconditional cuts in carbon and GHG emissions through domestic measures, to be expressed in international, legally binding agreements within the Climate Convention that contain targets based on science and equity. The pursuit of false solutions must cease.
- Commit to obligatory, predictable, condition-free, additional, non-debt creating public finance to cover the full costs of adaptation in countries of the South, as well as the costs of shifting to sustainable systems – to be part of international legally binding agreements within the Climate Convention. According to different estimates, southern countries will need funds upwards of US\$400 billion annually in order to finance adaptation to climate change.

### **For LDC Member States:**

Give priority to enabling LDC citizens to deal with the impacts of climate change by securing and allocating the resources necessary and ensuring the appropriate and equitable use of these resources.

- Remain firm in exacting the fulfillment of obligations of Annex 1 countries based on common but differentiated responsibilities that are part of the Climate Convention's principles, and the recognition of climate debt owed to the people of the LDCs and the rest of the South.

### **For the Fourth UN Conference on LDCs:**

Come out with a Programme of Action that supports the above, as well as a resolution on international recognition and protection of the rights of climate-induced migrants.

## GHG EMISSIONS in TONS PER CAPITA

Country or Territory	1990	1995	2000	2005	2007
Afghanistan	0.21	0.07	0.04	0.03	0.03
Albania	2.28	0.67	0.99	1.44	1.35
Algeria	3.12	3.35	3.83	4.23	4.14
Andorra		6.29	7.89	7.22	6.48
Angola	0.42	0.88	0.67	1.19	1.41
Anguilla			2.96	3.73	3.52
Antigua and Barbuda	4.86	4.74	4.47	4.92	5.09
Argentina	3.47	3.52	3.82	4.09	4.65
Armenia		1.08	1.13	1.42	1.65
Aruba	29.11	22.45	24.92	22.86	23.02
Australia	17.15	17.14	17.17	17.86	17.94
Austria	7.95	7.64	7.71	8.84	8.27
Azerbaijan		4.31	3.76	4.16	3.68
Bahamas	7.63	6.15	5.90	6.48	6.44
Bahrain	24.11	27.73	30.40	27.05	29.58
Bangladesh	0.13	0.18	0.20	0.26	0.28
Barbados	4.14	3.21	4.72	5.20	5.29
Belarus		6.35	5.89	6.55	6.87
Belgium	10.83	11.26	11.34	10.34	9.78
Belize	1.64	1.72	2.74	1.40	1.44
Benin	0.15	0.23	0.24	0.33	0.46
Bermuda	10.00	7.59	7.87	6.92	7.95
Bhutan	0.23	0.49	0.71	0.87	0.86
Bolivia	0.83	1.26	1.14	1.25	1.38
Bosnia and Herzegovina		1.26	6.15	6.77	7.68
Botswana	1.61	2.27	2.48	2.46	2.64
Brazil	1.40	1.70	1.90	1.88	1.94
British Virgin Islands	2.91	2.76	2.87	4.00	4.39
Brunei Darussalam	24.98	18.70	19.57	15.37	19.76
Bulgaria	8.69	6.97	5.38	6.07	6.78
Burkina Faso	0.07	0.07	0.09	0.09	0.12
Burundi	0.05	0.05	0.05	0.02	0.02
Cambodia	0.05	0.13	0.18	0.27	0.31
Cameroon	0.14	0.31	0.22	0.21	0.33
Canada	16.25	15.69	17.51	17.33	16.92

Cape Verde	0.25	0.29	0.43	0.62	0.63
Cayman Islands	9.68	8.81	11.26	9.83	9.80
Central African Republic	0.07	0.07	0.07	0.06	0.06
Chad	0.02	0.01	0.02	0.04	0.04
Chile	2.65	3.03	3.90	4.01	4.31
China	2.15	2.74	2.69	4.28	4.92
China, Hong Kong Special Admin Region	4.85	5.09	6.09	5.89	5.75
China, Macao Special Admin Region	2.78	3.02	3.71	3.77	3.03
Colombia	1.73	1.64	1.46	1.37	1.43
Comoros	0.18	0.16	0.15	0.18	0.19
Republic of the Congo	0.49	0.56	0.35	0.47	0.45
Cook Islands	1.24	1.19	1.65	3.25	3.38
Costa Rica	0.96	1.40	1.39	1.60	1.82
Cote d'Ivoire	0.46	0.48	0.39	0.42	0.32
Croatia		3.94	4.49	5.32	5.61
Cuba	3.15	2.35	2.35	2.24	2.41
Cyprus	6.84	7.82	8.71	8.97	9.60
Czech Republic		12.53	12.32	12.05	12.17
Democratic Republic of the Congo	0.11	0.06	0.03	0.04	0.04
Denmark	9.81	10.72	8.84	8.63	9.18
Djibouti	0.71	0.69	0.55	0.59	0.58
Dominica	0.86	1.18	1.51	1.69	1.80
Dominican Republic	1.30	1.98	2.28	2.09	2.12
Ecuador	1.64	2.00	1.70	2.02	2.25
Egypt	1.31	1.50	2.01	2.12	2.31
El Salvador	0.49	0.92	0.97	1.04	1.10
Equatorial Guinea	0.32	0.29	0.86	7.74	7.47
Eritrea		0.09	0.17	0.16	0.12
Estonia		12.64	11.67	13.55	15.25
Ethiopia	0.06	0.04	0.09	0.07	0.08
Faroe Islands	13.15	14.68	14.40	14.03	14.12
Falkland Islands (Malvinas)	18.47	16.30	12.76	17.14	19.68
Fiji	1.13	1.16	1.08	1.97	1.74
Finland	10.22	10.24	10.08	10.41	12.15
France	7.02	6.78	6.18	6.43	6.02
French Guiana	6.99	6.55	5.10	4.21	4.17

French Polynesia	3.23	2.70	2.75	3.34	3.08
Gabon	6.57	3.55	0.98	1.36	1.43
The Gambia	0.21	0.20	0.21	0.21	0.25
Georgia		0.45	0.96	1.07	1.38
Germany		11.01	10.14	9.82	9.57
Ghana	0.26	0.31	0.32	0.34	0.43
Gibraltar	3.37	12.11	11.56	12.31	13.13
Greece	7.16	7.42	8.37	8.92	8.83
Greenland	10.03	9.10	9.47	9.35	9.09
Grenada	1.26	1.72	2.03	2.29	2.35
Guadeloupe	3.35	3.75	4.84	4.67	4.69
Guatemala	0.57	0.72	0.88	0.96	0.97
Guinea	0.17	0.17	0.15	0.15	0.14
Guinea-Bissau	0.25	0.24	0.15	0.18	0.19
Guyana	1.52	1.95	2.09	1.95	1.97
Haiti	0.14	0.12	0.16	0.22	0.25
Honduras	0.53	0.69	0.81	1.11	1.23
Hungary	6.12	5.95	5.60	5.85	5.63
Iceland	8.13	7.25	7.70	7.45	7.59
India	0.80	0.97	1.14	1.25	1.38
Indonesia	0.84	1.17	1.26	1.56	1.77
Iran	4.00	4.58	5.07	6.03	6.85
Iraq	2.91	3.71	3.02	3.43	3.40
Ireland	8.63	9.11	10.75	10.32	10.18
Israel	7.43	10.09	10.30	8.85	9.63
Italy	7.45	7.65	7.83	7.98	7.69
Jamaica	3.37	3.93	4.02	3.81	5.18
Japan	9.36	9.93	9.71	9.75	9.85
Jordan	3.20	3.15	3.20	3.83	3.61
Kazakhstan		10.47	8.54	11.66	14.76
Kenya	0.25	0.27	0.33	0.31	0.30
Kiribati	0.31	0.28	0.39	0.28	0.35
Korea, Democratic People's Republic of	12.15	11.94	3.37	3.55	2.98
Korea, Republic of	5.62	8.34	9.52	9.73	10.49
Kuwait	19.02	30.85	31.91	33.29	30.21
Kyrgyzstan		1.02	0.94	1.07	1.14

Laos	0.06	0.07	0.20	0.24	0.25
Latvia		3.78	2.57	3.08	3.45
Lebanon	3.06	3.90	4.07	4.30	3.21
Liberia	0.22	0.17	0.15	0.22	0.19
Libya	9.24	9.64	9.31	9.46	9.29
Lithuania		4.46	3.48	4.19	4.55
Luxembourg	25.95	20.44	18.85	24.41	22.83
Macedonia		5.52	6.00	5.52	5.53
Madagascar	0.09	0.10	0.16	0.12	0.12
Malawi	0.06	0.07	0.09	0.08	0.07
Malaysia	3.13	5.88	5.44	7.16	7.32
Maldives	0.71	1.11	1.83	2.32	2.99
Mali	0.05	0.05	0.05	0.05	0.05
Malta	6.05	7.13	5.31	6.70	6.71
Marshall Islands	1.01	1.29	1.48	1.48	1.67
Martinique	5.76	5.54	5.31	4.50	4.85
Mauritania	1.34	1.32	0.46	0.56	0.62
Mauritius	1.39	1.62	2.32	2.72	3.06
Mexico	4.29	3.82	3.92	4.19	4.39
Micronesia, Federated States of			0.51	0.50	0.56
Moldova		2.58	0.86	1.31	1.28
Mongolia	4.53	3.49	3.14	3.45	4.05
Montserrat	3.07	4.30	11.09	12.44	13.11
Morocco	0.95	1.13	1.18	1.44	1.49
Mozambique	0.07	0.07	0.07	0.09	0.12
Myanmar	0.10	0.16	0.19	0.30	0.27
Namibia	0.00	1.08	0.97	1.32	1.45
Nauru	14.43	13.95	13.55	14.14	14.09
Nepal	0.03	0.09	0.13	0.12	0.12
Netherlands	10.98	11.44	10.45	10.60	10.53
Netherlands Antilles	32.61	34.08	31.58	30.66	32.47
New Caledonia	9.49	8.96	10.68	11.93	11.75
New Zealand	7.07	7.30	8.45	8.12	7.79
Nicaragua	0.64	0.61	0.75	0.73	0.82
Niger	0.12	0.11	0.07	0.06	0.06
Nigeria	0.47	0.32	0.63	0.78	0.64
Niue	1.74	1.89	2.12	2.43	2.57

Norway	7.39	7.57	8.66	10.01	9.06
Occupied Palestinian Territory			0.25	0.73	0.58
Oman	5.62	7.34	9.18	13.06	13.69
Pakistan	0.59	0.65	0.72	0.82	0.90
Palau	15.74	6.68	6.07	9.64	10.49
Panama	1.30	1.30	1.96	1.87	2.17
Papua New Guinea	0.52	0.43	0.50	0.75	0.52
Paraguay	0.53	0.83	0.69	0.65	0.67
Peru	0.97	1.00	1.17	1.34	1.51
Philippines	0.71	0.90	1.02	0.94	0.80
Poland	9.13	8.99	7.85	7.95	8.32
Portugal	4.44	5.27	6.18	6.17	5.46
Qatar	25.19	58.63	56.31	64.17	55.43
Reunion	2.40	3.23	3.42	3.52	3.48
Romania	6.85	5.67	3.96	4.25	4.39
Russian Federation		10.50	9.84	10.59	10.83
Rwanda	0.10	0.11	0.09	0.08	0.08
Saint Helena	1.26	2.09	2.17	2.33	2.40
Saint Kitts and Nevis	1.62	2.20	2.24	4.78	4.94
Saint Lucia	1.19	2.12	2.10	2.22	2.26
Saint Pierre and Miquelon	14.64	11.10	8.76	10.74	10.83
Saint Vincent and the Grenadines	0.75	1.22	1.46	1.82	1.85
Samoa	0.77	0.78	0.79	0.88	0.90
São Tomé and Príncipe	0.57	0.60	0.63	0.84	0.81
Saudi Arabia	13.23	12.87	14.31	15.55	16.31
Senegal	0.42	0.40	0.40	0.49	0.46
Serbia and Montenegro		3.75	3.81	4.89	5.13
Seychelles	1.58	2.52	6.96	8.43	7.47
Sierra Leone	0.10	0.15	0.15	0.25	0.24
Singapore	15.56	13.54	13.03	13.96	12.08
Slovakia		8.13	6.79	7.27	6.86
Slovenia		7.13	7.28	7.46	7.52
Solomon Islands	0.51	0.44	0.40	0.38	0.40
Somalia	0.00	0.00	0.07	0.07	0.07
South Africa	9.08	8.54	8.21	8.49	8.82
Spain	5.86	6.53	7.31	8.21	8.16
Sri Lanka	0.22	0.32	0.54	0.60	0.62

Sudan	0.21	0.15	0.16	0.28	0.28
Suriname	4.45	5.01	4.55	4.76	4.78
Swaziland	0.49	0.47	1.10	0.91	0.92
Sweden	6.04	6.06	5.66	5.72	5.38
Switzerland	6.40	5.60	5.44	5.57	5.06
Syria	2.94	3.53	3.84	3.79	3.41
Tajikistan		0.92	0.69	0.89	1.07
Tanzania	0.09	0.12	0.08	0.13	0.15
Thailand	1.69	3.02	3.23	4.10	4.14
Timor-Leste				0.18	0.17
Togo	0.20	0.22	0.26	0.22	0.21
Tonga	0.81	1.13	1.23	1.69	1.71
Trinidad and Tobago	13.92	16.58	18.93	23.48	27.88
Tunisia	1.61	1.76	2.11	2.31	2.37
Turkey	2.69	2.89	3.25	3.34	3.95
Turkmenistan		8.27	7.92	8.62	9.20
Turks and Caicos Islands		0.72	0.80	3.96	4.87
Uganda	0.05	0.05	0.06	0.08	0.10
Ukraine		8.42	6.24	6.96	6.86
United Arab Emirates	29.36	30.29	39.15	28.28	31.06
United Kingdom	9.96	9.73	9.24	9.02	8.86
United States	19.09	19.28	19.95	19.30	18.91
Uruguay	1.28	1.42	1.60	1.80	1.86
Uzbekistan		4.40	4.80	4.27	4.32
Vanuatu	0.47	0.38	0.43	0.41	0.45
Venezuela	6.19	6.03	6.24	6.14	5.99
Viet Nam	0.32	0.41	0.68	1.23	1.29
Wallis and Futuna Islands				1.94	1.92
Western Sahara	0.90	0.81	0.75	0.54	0.50
Yemen	0.78	0.72	0.80	0.95	0.99
Zambia	0.31	0.24	0.17	0.20	0.22
Zimbabwe	1.48	1.29	1.12	0.86	0.77
<b>TOTAL</b>	<b>876.35</b>	<b>1028.97</b>	<b>1052.20</b>	<b>1119.56</b>	<b>1140.95</b>
	LDCs*				
	US, European Union, G8, Australia, New Zealand				

## 8. Trade for development: fair trade, not free trade

While LDCs must shift from an overemphasis on exports for economic growth, and put greater effort into strengthening productive capacities for domestic needs, trade will continue to be an important component of their development strategies.

LDC trade collectively accounted for only 1.08 per cent of world exports in 2008, though even this was an increase from 0.62 per cent in 2002.<sup>23</sup> Revenue from merchandise exports from LDCs in 2008 stood at US\$178.2 billion. However, owing to the global financial crisis, LDCs saw their merchandise exports drop by 29.3 per cent in 2009.<sup>24</sup>

Despite the boom in world trade over the last three decades, LDCs have not been able to maximise their comparative advantages due to various constraints, including unfavourable market access conditions.

### Indiscriminate and premature liberalisation

Many bilateral and multilateral development agencies remain fixated on a paradigm of development that sees “liberalisation” as beneficial, even absolutely necessary, to economic growth. Despite much evidence to the contrary, trenchant critiques, and widespread opposition across the world, this paradigm remains the conventional wisdom of all too many development agencies and governments.

Indiscriminate and premature liberalisation programmes undermine the important role of LDC governments in development, severely harm existing industries in LDCs that cannot yet compete with imported commodities, and destroy the underlying potential for the emergence and growth of national industries that cater to the domestic market.

### Unequal terms of trade

Even worse, there have been double standards in the implementation of liberalisation and “free trade”. Northern governments protect their own markets through subsidies and various non-tariff barriers, even as they insist that the countries of the South “open up”, reduce any constraints on imports and exports, and liberalise their national economies.

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<sup>23</sup> *The Least Developed Countries Report*, UNCTAD, 2010

<sup>24</sup> *Ibid.*

World Trade Organisation (WTO) rules allow LDCs access to special and differential treatment. But as long as developed countries continue to provide astronomical sums of money to their own farmers and agribusinesses, the WTO's special allowances are just window dressing for deep structural inequity. There is a global outcry to demand significant reduction in agricultural subsidies in the OECD countries, but this has fallen on deaf ears.

A decade ago, there were expectations that trade reform would be possible. The Doha Round of Multilateral Trade Negotiations, termed the Doha Development Round, began with a ministerial-level meeting in 2001 and was the first round of negotiations to take place under the auspices of the WTO. But "development" has been systematically sidelined from the agenda.

The denial of fair market access for poor country products is completely unacceptable. Northern countries must expand market access to all exports from all LDCs. WTO members have agreed to provide duty-free and quota-free market access to imports from LDCs covered by 97 per cent of tariff lines. However, LDCs demand extension of this agreement to 100 per cent coverage, since 3 per cent of tariff lines can cover a substantial proportion of LDC exports like textiles, clothing and agricultural goods. The potential trade and welfare impacts of expanding the coverage have been analysed, and a study indicates LDCs stand to gain US\$7.5 billion in additional exports upon moving from 97 per cent towards 100 per cent product coverage.<sup>25</sup> Similarly, the welfare gains from this expansion are estimated to increase seven-fold, from US\$1 billion to US\$7 billion.<sup>26</sup>

### **Bangladesh's trade travails**

In Bangladesh, external trade is increasing, but so is the trade deficit. The country continues to export mainly natural resource-based, labour-intensive commodities at low cost and import expensive capital goods and industrial raw materials. The export base is very limited and critically dependent on a few items like readymade garments, jute and jute products, and frozen food. The terms of trade index in 2008-9 was as low as 71.03 compared to 92.77 in 1999-2000 (Base year: 1995-6=100). Bangladesh faces many tariff and non-tariff barriers in the export market. Average tariffs imposed by industrialised countries on agricultural products, textiles and garments from Bangladesh in 2009 ranged between 0-15.3 per cent.

*Bangladesh: Reviewing the Brussels Programme of Action (BPoA) and the Millennium Development Goals (MDGs): A Civil Society Report*, Ahmad, M., November 2010

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<sup>25</sup> *Duty-free and Quota-free Market Access for LDCs*, Vanzetti, D. and Peters, R., Australian National University and UNCTAD, 2009

<sup>26</sup> *Two Opportunities to Deliver on the Doha Development Pledge*, IFPRI, July 2006

## **“Aid for trade”**

The “Aid for trade” initiative, introduced in the Hong Kong Ministerial Declaration of 2005, was supposedly aimed at addressing the supply-side constraints of LDCs and increase their capacity to implement WTO agreements. Funds under this programme are meant to support LDCs in increasing trade, diversifying exports, maximising linkages with the domestic economy, and increasing their capacity to adjust.

How beneficial “Aid for Trade” has actually been for LDCs is a matter of debate. Many criticise the programme as “grease money” for LDCs to agree to accede to the positions of developed countries in trade negotiations.

The supply of “Aid for Trade” has been increasing since the programme started. According to the OECD/WTO, “Aid for Trade” comprised about 25 per cent of total development assistance and about 35 per cent of the aid that donors and governments allocated to particular sectors.<sup>27</sup>

## **National trade policies for strategic strengthening of LDC economies**

The trade policies of many LDC governments heighten the vulnerability of their economies. There has been little progress towards economic diversification or an increase in value addition of exports over the past decade. The export concentration index of LDCs has worsened with a narrowing range of export commodities. More than half of LDCs experienced de-industrialisation in the last decade, reflected in a declining share of manufacturing within national GDP.

LDC governments must design trade policies that are consistent with and supportive of the strategic strengthening of their economies. Long-term, more solid gains should not be compromised by the pursuit of immediate but unsustainable benefits. The natural endowments of LDCs vary and each country’s development programme and in particular trade policies will have to be appropriate to their particular endowments, while also being responsive to the needs of their people.

Income from trade has been relatively better for oil and mineral rich LDCs. But even these countries must be careful to temper their reliance on these sectors. They must review and re-design their trade programmes, keeping in mind that while there is a high demand for such commodities, they are finite and non-renewable.

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<sup>27</sup> *Aid for Trade: Building on Progress Today for Tomorrow’s Future*, Hoekman, B., and Wilson, J., 2010

## **Fair trade not free trade**

The unfair trade agreements of today's globalised world continue to destroy the lives and livelihoods of the people of the LDCs. These countries need action on long-standing promises for equitable trade rules, including full duty-free, quota-free access and workable rules of origin. Multilateral, bilateral and regional trade agreements that push for indiscriminate and premature liberalisation must end.

## **Calls to Action**

- Immediately extend full and unconditional market access to all developed country markets for all LDC exports, and reduce non-tariff barriers such as overly restrictive Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT). Emerging economies in a position to do so should be encouraged to offer duty-free and quota-free access to LDC products.
- Reform the rules of origin so that they are simple, allow for regional and LDC cumulation, and promote manufacturing opportunities for LDCs.
- Strengthen Special and Differential Treatment and policy flexibility for LDCs, and make it operational according to a given country's stage of development (rather than limiting it by time) within the WTO and regional and bilateral agreements, so that LDCs can adopt development strategies that reflect their specific needs and opportunities.
- Fully implement the agreed provisions to facilitate the accession of LDCs to the WTO, and provide access to an independent appeals mechanism to prevent unreasonable demands during accession negotiations.
- Provide support to LDCs in building capacity in order to meet product and quality standards and scaled-up aid for trade support that is driven by LDC needs and appropriate to their priorities.

**Table 6: LDC Trade as % of GDP**

Country Name	2001	2002	2003	2004	2005	2006	2007	2008	2009
Angola	151.57	135.73	132.68	123.39	128.72	109.89	119.82	127.54	98.46
Benin	43.08	41.03	40.21	39.38	39.58	34.05	47.78	44.09	42.02
Burkina Faso	32.37	29.99	30.52	35.02	35.60	38.34			
Burundi	27.75	28.48	36.10	43.49	56.69	57.71			
Central African Republic	37.53	35.65	31.52	32.63	34.01	35.95	37.13	34.17	36.86
Chad	64.32	126.35	83.38	101.77	104.84	104.29	107.10	103.00	112.20
Comoros	46.31	46.49	48.71	48.09	49.90	52.81	56.06	62.19	62.83
Congo, Dem. Rep.	39.34	47.24	59.48	69.52	77.22	75.03	65.11	61.86	31.34
Djibouti	83.07	82.32	88.98	91.14	91.55	97.22	134.24		
Equatorial Guinea	193.44	151.96	173.27	145.12	131.03	119.86	112.18	110.40	115.63
Eritrea	78.85	82.70	83.54	77.48	57.30	42.79	40.74	25.51	24.75
Ethiopia	35.72	39.21	40.73	46.48	50.58	50.47	44.75	42.19	39.40
Gambia, The	77.19	93.28	95.43	113.16	102.86	96.88	82.15	77.92	80.57
Guinea	57.41	53.70	50.28	49.32	68.94	81.90	64.79	71.98	86.16
Guinea-Bissau	91.56	81.04							
Lesotho	152.08	187.68	168.10	171.81	160.69	156.76	164.44	171.40	162.96
Liberia	54.74	47.81	77.25	88.43	89.80	111.86	219.18	203.71	
Madagascar	61.37	38.58	55.16	80.12	73.78	75.51	82.39	83.35	80.68
Malawi	67.12	54.96	67.29	68.15	76.23	69.73	62.21	76.43	67.76
Mali	83.56	71.10	63.78	63.14	62.93	72.34	61.75		
Mauritania	86.50	89.50	86.31	110.61	131.60	112.21	123.43	130.96	117.29
Mozambique	61.87	76.19	76.51	72.67	75.67	85.58	80.50	78.81	68.86
Niger	41.54	39.32	41.22	42.11	39.26				
Rwanda	34.85	34.32	32.68	35.89	36.64	36.34	36.51	44.83	40.92
Sao Tome and Principe									
Senegal	66.49	67.51	65.37	65.81	69.45	68.65	73.07	79.35	68.01
Sierra Leone	50.29	53.44	64.04	55.99	60.07	57.48	48.56	45.73	44.21
Somalia									
Sudan	33.48	32.85	33.63	39.07	46.35	43.98	43.69	43.96	35.88
Togo	82.75	85.48	81.18	80.52	97.53	104.12	104.39		
Uganda	35.33	36.28	36.59	35.53	39.05	43.72	46.82	56.26	58.03
Tanzania	38.29	37.42	41.37	45.72	50.55	58.26	61.47	61.69	58.38
Zambia	72.37	69.48	69.76	81.09	71.45	68.76	77.73	70.76	67.77
Afghanistan		92.16	132.78	107.83	96.47	91.90	77.02	63.22	
Bangladesh	36.88	33.32	34.25	36.28	39.63	44.22	46.48	49.09	45.98
Bhutan	77.67	71.55	67.71	78.07	91.88	104.28	103.42	108.63	106.32
Cambodia	113.86	119.69	123.08	134.51	136.83	144.62	138.27	133.32	122.27
Kiribati	56.98	58.67	84.05	85.89					
Lao PDR	65.73	63.69	62.52	73.13	81.90	85.02	86.61	77.10	
Myanmar	0.98	0.62	0.36	0.31					
Nepal	53.72	46.23	44.25	46.15	44.06	44.76	44.34	44.74	53.12
Samoa	113.73	108.42	85.26	81.80	87.29	93.81	94.05	85.82	91.99
Solomon Islands	52.40	50.55	58.08	73.30	88.68	93.37	93.05	95.05	80.48
Timor-Leste									
Tuvalu									
Vanuatu	84.79	89.60	88.88	90.02	94.03	87.68	85.51	97.98	
Yemen, Rep.	75.34	79.23	79.44						
Haiti	48.50	48.13	63.68	59.36	56.98	59.50	52.18	56.92	58.12
<b>World</b>	48.44	47.79	48.34	51.48	53.68	56.47	57.28	59.02	48.49

Source: Global Development Finance and World Development Indicators 2011

## 9. Women's empowerment and gender equality

The oppression and marginalisation of women is unfortunately common to different cultures and societies. The only difference lies in the degree and particular forms in which this is expressed.

Women in LDCs bear the brunt of economic and social hardships because of the discrimination and disempowerment they suffer because of their gender. It follows that gender discrimination and oppression of women in LDCs are more intense because of these countries' relatively extreme economic vulnerabilities. These conditions are mutually reinforcing.

Women's empowerment and gender equality should not be defined as simply enabling women to be equal to men, when the majority of both are impoverished and disempowered. Gender equality must be defined within the framework of pursuing human development for all.

Development cannot be attained without the empowered participation of women. Empowered women translate into stronger and more vibrant grassroots communities, peoples' organisations and movements, which will be better equipped to struggle for the economic and political changes needed for equitable and sustainable development, and participate actively in citizens' to implement national development policies and programmes. Empowered women mean the enhanced contribution of women leaders to governance and political life. Empowered women also mean women being better at caring for their families, a responsibility that men should share.

It should also be seen as part of the definition of development – development without gender equality is not development at all. The equity of development should be measured not only across classes and sectors, communities, geographical areas, and generations, it should also be measured across gender.

Social Watch, an international network of civil society organisations monitoring progress in achieving development goals and commitments by UN Member States, developed the Gender

Gender equality implies a society in which women and men enjoy the same opportunities, outcomes, rights and obligations in all spheres of life. Equality between men and women exists when both sexes are able to share equally in the distribution of power and influence; have equal opportunities for financial independence through work or through setting up businesses; enjoy equal access to education and the opportunity to develop personal ambitions. A critical aspect of promoting gender equality is the empowerment of women, with a focus on identifying and redressing power imbalances and giving women more autonomy to manage their own lives. Women's empowerment is vital to sustainable development and the realisation of human rights for all.

*United Nations Population Fund, Understanding gender equality and women's empowerment*

Equity Index (GEI) based on three dimensions: education, economic participation and empowerment. Data from the 2010 Social Watch Report shows that 26 out of 37 LDCs have scores below 60.<sup>28</sup>

Some of the most critical issues that the women of LDCs face are:

## **Reproductive health**

Access to safe reproductive health services is a critical concern for women in LDC countries. According to the United Nations Population Fund (UNFPA), reproductive health problems remain the leading cause of ill health and death for women of childbearing age worldwide. Provision of basic information, services and conditions to help women safeguard their reproductive health are still not prioritised by many LDC governments, causing the deaths of millions of women. The UN Population Division reported that the proportion of women attended by skilled health personnel at birth was only 38 per cent between 2003–2008, leaving many women to suffer from complications. Maternal mortality rates remain high at 590 deaths per 100,000 live births in 2008.<sup>29</sup>

As of 2007, the HIV/AIDS prevalence rate stands at 2 per cent of the adult population (aged 14–49) in LDCs. But just only 19 per cent of women aged 14–24 have an adequate knowledge of HIV/AIDS, compared to 28 per cent of men in the same age group.<sup>30</sup>

## **Violence against women**

Women in LDCs continue to suffer from various forms of violence. Gender-specific mass violence is prevalent in some LDCs, particularly where conflict is ongoing. LDC governments have failed to guarantee the protection of women against violence and abuse, and indeed women continue to die at the hands of state institutions that are meant to protect the rights of every citizen.

In addition to the obvious physical and emotional harm incurred by women, violence against women is also a hindrance to their political participation. Domestic violence, for instance, is a severe constraint to the participation of women in public affairs. Politics is considered a man's job in many LDCs, and women are actively discouraged against entering the political arena, often through intimidation by male members of their own families. In most cases, incidents of domestic violence remain unreported as this is perceived to jeopardise the honour and credibility of families, and women who fall victim to such violence are often seen to be wholly or partly responsible for what happened to them.

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<sup>28</sup> *Social Watch Report 2010: After the Fall*, Social Watch, Montevideo, 2010

<sup>29</sup> UN-OHRLS, op cit.

<sup>30</sup> *2008 Report on the Global AIDS Epidemic*, UNAIDS, Geneva, 2008

Creation of gender-responsive programmes and policies that address women's needs discount the actual experiences of women from the ground, ultimately leading to ineffective programmes. Even legislation meant to be gender-responsive is still subject to the discretion of justice systems, and may not be enforced on behalf of women.

## Economic invisibility

The economic invisibility of LDCs exacerbates their condition. The kind of work women do, such as housework or unpaid labour, remains undervalued in the eyes of society. The home is considered the domain of women, and they are discouraged from entering the labour market. But due to poverty, more and more women are willing to endure the dual burden of paid and unpaid labour.

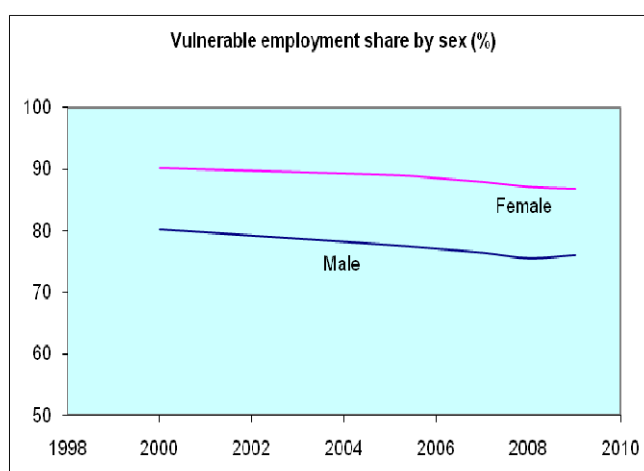
Women from all economic classes flock to the informal sector because of its flexible, albeit hazardous and irregular, nature. Informal work allows women to juggle domestic affairs while earning an income that is often below the minimum wage. The low pay means that they continue to be shackled to both household and informal work, and endure an increasing burden that in the long run affects their health.

## Access to and control over resources

Within the household, women have less access to and control over resources, and have limited influence over household decisions. Women also have limited access to communal resources, therefore are under-represented in public decision-making institutions; they have limited bargaining power at all levels and face challenges in accessing opportunities to improve the socio-economic situation of their families. Gender inequality has to be addressed but on multiple fronts. Gender concerns should be mainstreamed into all sectors to ensure effective development outcomes for LDCs.

## Women and employment

There are more "unemployed" women than men, in the sense that they have a paying job. Even among the employed, the gender gap is visible, as more women than men are engaged in vulnerable employment, such as own account workers and unpaid family workers. Moreover, there's the question of unequal pay for equal work. While the proportion of male workers in vulnerable employment declined from 80.2 per cent in 2000 to 76.1 per cent in 2009 that of female



*Source: Trends Econometric Models, ILO, Geneva, 2010*

workers in vulnerable employment dropped from 90.2 per cent to 86.9 per cent in the same period.<sup>31</sup>

## Women and education

According to data from 2005-8, the adult literacy rate for those aged 15 and over in LDCs is 50 per cent for women compared to 67 per cent for men. The adult literacy rate is higher for women compared to men in only two LDCs, Lesotho and Haiti. The gender gap in terms of adult literacy has actually widened between 1994-2004 and 2005-8 in several countries including Benin, Burkina Faso, Niger, Rwanda, Sierra Leone, Zambia and Laos, while the gap remains unchanged in Ethiopia, Mali and Mozambique. The gender gap in this period was most reduced in Malawi (9 per cent), followed by Togo (8 per cent), and Cambodia and Haiti (7 per cent each). Women are approaching universal adult literacy in just two countries, the Maldives and Samoa (98 per cent each) along with their male counterparts.<sup>32</sup>

Girls are lagging behind boys in school enrolment (both primary and secondary). Gender parity has been achieved in terms of primary school enrolment in just 13 LDCs, while only one LDC has attained gender parity at the level of secondary level enrolment.<sup>33</sup>

## Women and political participation

Women's participation in politics is very low in LDCs. As of June 2010, women occupy 15 per cent of the seats in lower houses of parliament in LDCs, up from 7 per cent in 1995. The proportion is higher in Asian parliaments (19 per cent), followed by Africa (16 per cent), and Haiti and the Pacific (4 per cent each).<sup>34</sup>

In some countries, efforts have been made to enhance women's membership in parliament by introducing quotas. Women are represented in the highest proportion in Rwanda (56 per cent),

### Nepali women at the forefront

Women's participation was high (40% to 60%) in the historic people's democratic movement of Nepal, 2006. Working women from the formal and informal sector, activists, professionals, housewives, youths and students joined the movement.

The interim constitution of Nepal has included "women's rights" as a fundamental right, and has provided for equal property rights to son and daughters.

The present Constituent Assembly of Nepal is historic, with 33% of the seats occupied by women, a remarkable achievement in a country with deep-rooted prejudices against women.

<sup>31</sup> *Trends Econometric Models*, ILO, Geneva, 2010

<sup>32</sup> *Education for All Global Monitoring Report 2010: Reaching the Marginalised*, UNESCO, Paris, 2010

<sup>33</sup> UN-OHRLLS, op cit.

<sup>34</sup> *Women in National Parliaments, Situation as of 31 May 2010*, Inter-Parliamentary Union  
<http://unstats.un.org/unsd/demographic/products/indwm/tab6a.htm>

followed by Angola and Mozambique (39 per cent each), Nepal (33 per cent), and Uganda (32 per cent). In Yemen, Madagascar, Guinea, Niger, Tuvalu and the Solomon Islands, there were no women in parliament in 2010.<sup>35</sup>

In recent years, consensus has developed on the centrality of women's participation in local level decision-making and the need to remove the obstacles that are inhibiting women's effective participation.

These obstacles include the following:

- Weak representation in local councils
- Male-dominated and insufficiently gender-sensitive planning
- Budgeting and resource allocation processes
- Cultural factors that discourage women from contributing to discussions
- Weak and ineffective institutions representing and supporting women
- High rates of illiteracy (especially in rural areas)

As a result, gender concerns are often not effectively incorporated into local council development plans and activities.

## **Calls to Action**

### **Actions by LDCs:**

- Strengthen women's productive capacity by increasing their access to scientific and technical fields, particularly in the agricultural and agri-business sector.
- Strengthen partnership with all stakeholders, especially CSOs, at all levels in the promotion of women's rights and access to basic services.
- Ensure monitoring and follow-up actions to be substantiated with gender-disaggregated data.
- Establish an independent committee made up of different stakeholders, including the parliament, CSOs and the private sector, to monitor the implementation of LDC-IV's Programme of Action vis-à-vis women.

### **Actions by development partners and the international community**

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<sup>35</sup> *ibid.*

- Prioritise and allocate resources so LDCs can implement policies to achieve all MDGs relevant to women, and not just MDG 3.
- Support UN Women in leading, coordinating and promoting the accountability of the UN system to support LDC endeavours to ensure gender mainstreaming in their policies and practices.
- Support UN Women in helping CSOs promote women's rights and access to basic services at the local level.
- Use debt relief in LDCs towards gender-related programmes and infrastructure to improve economic opportunities for women in LDCs.
- Open up opportunities in trade for women's enterprises from LDCs.
- Support LDCs in conducting gender auditing in each sector of the new Istanbul Programme of Action and strategising for actions to promote the empowerment of women.

## 10. Migration

Increasingly, in LDCs as in the rest of the world, there is population movement from the rural areas to the towns, creating new opportunities for some but also problems of rapid urban growth, pressure on inadequate facilities and services, and therefore urban poverty and squalor. LDCs, however, generally have lower levels of urbanisation and a larger proportion of the total population lives and works (or fails to find work) in rural areas.

In the last decade, there has been a marked trend of labourers migrating from LDCs to other countries to find work. As LDC economies are not able to provide adequate employment for their growing populations, millions have found respite overseas. Among Asian LDCs Bangladesh and Nepal in particular have a very high rate of migration for labour, while among African LDCs Lesotho and Yemen rely heavily on remittances from their workers overseas.

Host countries benefit significantly from such migrants, as they are willing to do menial jobs for cheap. Migrant labourers also work in highly skilled jobs, but are often paid much less for the same work as compared to local workers.

Migrant labourers also render a huge service to their home countries, as most send the bulk of their wages back home. The migrant labour sector is the largest contributor to the foreign exchange earnings of some countries; migrants from LDCs send back nearly US\$25 billion a year as remittances. Remittances help many families in LDCs to improve household food security and living conditions, as well as access education and health facilities and invest in small enterprise development.

But it is a big injustice that migrant workers do not enjoy the same rights and protection as citizens of their host countries. Migrant labourers are often victimised by the law and other agencies in the countries they work in, and are routinely denied labour rights at their workplace. Their own governments have neglected them after all, leading to their emigration, but migrant labourers too often fail to secure even a modicum of protection from their governments while abroad.

The increase in overseas migration is an indicator of the dire economic situation of the LDCs. The consequent reliance on remittances adds to the vulnerability of LDC economies as they have no control over the job markets abroad and other factors critical to employment of overseas workers. Remittance inflows to LDCs grew significantly during the boom years, but the growth rate fell to 8 per cent between 2008-2009.<sup>36</sup> As a result of the recent global financial crisis and political turmoil in some of the host countries, the overseas labour market has shrunk and many labourers are now returning, creating significant pressure on LDC domestic economies.

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<sup>36</sup> *Towards a New International Development Architecture for LDCs: The Least Developed Countries Report 2010*, UNCTAD, New York/Geneva, 2010

## **Calls to Action**

- Highlight in the Programme of Action the need to respect the human rights of migrants, migrant workers, their children and their other dependants. The right to mobility and work must be ensured.
- Set up an effective regulatory mechanism on sexual exploitation and forced labour, particularly for women and children who are highly vulnerable to sexual exploitation and forced labour.
- Ensure access of migrant workers to basic services and amenities. Ensure effective social security systems for migrant workers.
- Both male and female workers' right of equality must be ensured by ensuring equal pay for similar types of employment. No discrimination on the basis of origin and sex/gender should be allowed, and safe, fair, equal and equitable working conditions to women migrant workers should be ensured.
- Due to their inherently low coping capacity, LDCs are particularly vulnerable to the detrimental effects of climate change and environmental degradation, which is a driver of migration. Therefore, concrete measures should be incorporated in the new Istanbul Programme of Action to reduce the impacts of climate change.
- Enhance the capacity and skills of LDC migrant workers.
- Mainstream issues of migration into the Programme of Action, which should enforce minimum wage labour standards that ensure a decent quality of life.

# 11. Conflict, human security, human rights, and peace

## War and conflict

There are ongoing armed conflicts, many of them fuelled by ethnic or religious differences, in LDCs such as Afghanistan, Yemen, Sierra Leone, Sudan, the Ivory Coast and Somalia. Several other LDCs like Cambodia and Nepal are now in a post-conflict situation, but are still in a transitional stage. Military budgets in all these countries have increased. World military expenditure is estimated to have reached US\$1,630 billion in 2010; the estimated total military expenditure in Africa in 2010 was US\$30.1 billion. Between 2001 and 2009, the annual increase in military spending averaged 5.1 per cent in real terms. Many countries are investing more in their armed forces in a bid to secure their boundaries and keep regimes in power. This has been to the detriment of spending on basic services to benefit their citizens.

Armed conflicts have contributed to growing displacement within LDCs. An estimated 50,000 to 70,000 displaced persons remain unable to return to their homes after 10 years of civil war in Nepal.<sup>37</sup> Such internally displaced persons (IDPs) are often unemployed and do not possess any assets to help them survive. Displaced persons also face the problem of social exclusion. Social and political adjustment is a major problem for IDPs, who assume the identity of refugees rather than citizens. They face discrimination of various kinds as a result.

Armed conflicts not only displace people, they destroy natural resources, homes and livelihoods. Conflict unleashes unbelievable suffering, particularly on women and children. The social fabric is torn asunder, and communities are reduced to a state of terror, suspicion and insecurity.

A general pattern emerging in all conflicts is gender-based abuse. Sexual violence remains the most sustained and common form of violence against women. It has not only endangered women, both directly and indirectly, but also increased their sexual, physical and psychological vulnerability. Similarly, the processes of peace making/reconciliation are gendered. This becomes apparent in post-conflict situations where women assume agency spontaneously for peace-building initiatives because they feel the need to restore normalcy more strongly than do men.<sup>38</sup>

Although such armed conflicts have been primarily intra-state, some countries have also been engaged in external wars, which if anything make “national security” even more of a sacrosanct issue. This creates a sanction for emergencies, greater powers to the armed forces and ultimately for the curtailment of democratic rights and a weakening of the democratic process. Violation of human rights, corruption and threats infiltrate all levels of society.

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<sup>37</sup>International Displacement Monitoring Centre (2007)), Handbook on housing and property restitution for refugees and displaced persons

<sup>38</sup> SAAPE, op cit.

Religion causes a rift in many countries that seems almost impossible to bridge or overcome. There are two dimensions of religious conflict. One involves violent conflicts that may be episodic or more or less continuous – involving killing, rape, mutilation, destruction of property, etc. The other is systematic discrimination and oppression that involves the creation of ethnic ghettos, ethnic cleansing and denial of rights (officially or otherwise), enforced lack of economic and social opportunities, and denial of political space. In extreme forms, there may be curbs on the ritual or cultural practices of the victimised religion. Each time there is violence, further polarisation occurs, fracturing civil society along communal lines, and converting religious majorities into political majorities. What is at stake is democracy, the rule of law, and religious and cultural pluralism. The idea of democracy is replaced by majoritarianism; the rule of law is subverted by public coercion. Thus communalism seeks to destroy the fundamental character of a democratic, pluralist society.

In spite of all this, people survive and continually try to repair the fabric of their social relations and their lives as individuals, families and communities. This is due to the resilience of ordinary people and their indomitable courage in the face of adversity, and represents the most crucial indication that anti-human and anti-communitarian forces can ultimately be defeated.

## **Human security**

The concept of human security should be used to set new policy frameworks for the benefit of the people. To this end civil society should be involved in its re-definition and implementation to strengthen its bottom-up character. For now we must recognise that in LDCs, human security in its different components has not been achieved although the targets laid out are said to be very humble. LDC governments and their development partners should take effective actions to achieve the multi-dimensional goal of human security.

Promoting human security not only paves the way for a deeper respect of human rights, it also reinforces the security of the state and global security. Indeed, how can a country be secured when its population is starving and when it is facing overwhelming poverty? How can the North expect to live in security in such an unequal world? We must understand that global security cannot be achieved without human security in LDCs, so it must constitute a collective aim. Security can no longer be defined simply in terms of regional stability and the territorial security of nation states.

Similarly, peace can no longer be simply defined as the absence of war. The end of the Cold War has initiated a new era of threats characterised by intra-state conflicts, ethnic conflict, terrorism, migration and forced displacement, extreme poverty, HIV/AIDS, and epidemics. These new threats are interlinked and transcend borders, but affect LDCs disproportionately. In such a complex context, the means to guarantee security can no longer be based just on military power, but must include favourable social, political and economic conditions, promotion of human development, human rights, and inclusive policies.

Cuts in military spending both on the part of LDCs and their development partners are necessary but we should also advocate for demilitarisation including in a social and cultural sense. This would involve civilian control over the armed forces, demobilisation of combatants, disarmament, conversion of arm industries and above all, relinquishing the ideology that views violence as a legitimate solution to conflict and as an effective means for obtaining and retaining power. This perspective seems particularly relevant in LDCs facing conflict and post-conflict situations since many researchers interested in disarmament assert that the control and reduction of weapons can be an effective tool for ensuring stability and establishing peace. In terms of peace building, disarmament and weapons control constitute a preliminary step towards demobilizing and reintegrating ex-combatants within an intensively political process.

A particular effort should also be made to curb the arms trade and traffic. To this end the Human Security Network was established in 1999 after successful efforts led by civil society and some governments resulted in the 1997 Mine Ban Convention. Later in 2001, the UN Conference on the Illicit Trade in Small Arms and Light Weapons adopted a Programme of Action, and 138 governments participated in a review of actual progress on national regulation and control in a follow-up conference in July 2003. This effort should be continued with special focus on LDCs.

## **Human rights and social exclusion**

Even though human rights are universal and inalienable, full realisation has been fairly relative in terms of equal status between the LDCs and the developed/developing states and their peoples. The enjoyment of human rights on the part of LDC citizens is threatened by the imposition of unfair rules, procedures and conditionalities by the WTO, IFIs, and transnational corporations.

Social exclusion implies the structural impediments created to systematically prohibit some individuals and communities of people from accessing the rights, opportunities and resources that are normally available to other members of their society. Social exclusion is prevalent in many LDCs and may be based on race, caste or ethnicity, sex, geographical location, class structure, religion, etc. Economic poverty, illiteracy, disease, food insecurity, etc. are often indicators of social exclusion.

## **Calls to Action**

- No states, mechanisms and process should violate the fundamental rights of the people in LDCs. The right to self-determination must be respected. Similarly, LDC governments must ensure their citizens fully enjoy what is laid out in all international instruments of human rights, including the ICESCR and its OP, ICCPR and its OPs, ILO Labour Standards, CEDAW, CERD, CRC, CAT, UDHR, etc. Political and administrative governance and development interventions must be in conformity with human rights instruments.
- Effective legal provisions must be put in place to eliminate the culture of impunity.

- Democracy, transparency, accountability and rule of law are the foundations of human rights and social justice, so LDC states should take the responsibility to strengthen these four pillars.
- The right to food and/or food sovereignty and the right to water are basic human rights, so LDC states must focus their interventions here. Equally important are the rights to development of the people, so states must respect the community rights of different groups of their citizens.
- Security forces and state mechanisms/structures responsible for maintaining law and order in LDCs must be adequately trained in human rights and social justice education.
- Human trafficking in LDCs is a grave human rights crisis; effective measures must be put in place.
- A point of departure from “national” security to “human” security; efforts towards demilitarisation.

## 12. Governance and development

No one will disagree that “good governance” is central to the successful pursuit of development. The debate lies in the definition of good governance, the issues that matter most, and why they matter.

Those who insist that development rests on the free market, the private sector and globalisation would define good governance as governance that enables the free market, the private sector and globalisation. According to this argument, corruption is bad because it increases the cost of business and precludes a level playing field for those in the market. The fact that corruption also undermines the state’s capacity to provide essential services is of little concern for those who believe essential services are better handled by the private sector.

Good governance covers a broad range of issues but here we want to emphasise the following:

- Governance in LDCs
  - The role of the state in development
  - Democratic processes and participation as a part of and requirement for development
- Global governance

### Governance in LDCs

The substance and requirements of development as discussed in previous chapters require a strong role for states not only in crafting development strategies and policies but also in terms of being an active player in economic activities so as to take the lead in enforcing and implementing these policies.

A major assumption is that these are states that will uphold the interest of the entire nation and not just the elites, pursue justice for the marginalised and impoverished in the face of huge inequities, and exercise strong political will in the face of challenges and countervailing pressures against its development policies. Such states have to have strong legitimacy and enjoy the confidence and support of their people. This is not possible unless these states are representative, democratic, transparent and fully accountable.

Democratic process and participation are not only crucial for legitimacy and support, they are fundamental to formulating the right strategies and policies and implementing these policies successfully. The nature of LDC governments, the role they have been playing thus far in the economy, and the constraints to the participation of people and civil society are the heart of the governance challenge. The lack of good governance is both a cause and effect of LDC status, although that barely figures in the current criteria for the definition of LDCs.

Few LDCs have a fully democratic system of governance in which all citizens are able to 1) freely and without constraint express their views, 2) organise and participate through political parties, trade unions and/or other organisations of their choice in an open and transparent, fully democratic process and 3) select, elect and recall their political representatives.

Some LDC governments are military dictatorships, authoritarian regimes, absolute monarchies, or “quasi-democracies” where some of the formalities of democratic political process are present, but full democracy is not exercised. These “quasi-democracies” include single-party states and states with a dominant ruling party where opposition parties are persecuted, or governments in which the role of the head of state is disproportionate. In some cases, dominant ethnic or other groups effectively maintain control at the expense of others.

LDCs usually have been or are currently being rocked by wars and internal conflicts that dominate political life and pose the biggest challenge to the establishment of democratic order and governance. Conflicts among major political parties and/or ethnic groups have had a negative impact on society in some LDCs. Justice and the rule of law have suffered and delayed the process of achieving the MDGs.

A number of LDCs are in a post-conflict situation and facing difficulties in building inclusive consensus. Any success in this respect needs a change in traditional mindsets and a re-orientation of top-down governance towards decentralisation and devolution of authority and responsibility. Mutual trust and respect among stakeholders is required to chart the course forward.

Some LDC governments are dominated by elites, who use political power and state instruments to perpetuate and extend their control of the economy. The majority of the people of LDCs are excluded from real political activities. Civil society is constrained in many ways and has a limited role. In some extremely repressive states, there are no local or international independent civil society organisations, and media cannot monitor government policy and performance vis-à-vis development objectives. These indicate the appalling lack of commitment of many governments to promoting broad-based and inclusive economic, social and political development, and the protection of human rights.

Nonetheless, there have been some positive changes towards advancing democratic governance since 2000.

In Bangladesh, the judiciary has been separated from the executive and a number of independent commissions have been established, such as the National Human Rights Commission, Right to Information Commission and Anti-Corruption Commission. New laws and an electoral roll with photographs supported national and local level elections in 2008-10 as well as the transition to democratic governance through a significantly improved electoral process. The UN Convention against Corruption was ratified. A National Plan

of Action for e-governance is now being pursued to improve public sector service delivery.<sup>39</sup> Some progress has also been made in combating human trafficking but providing access to justice to survivors remains a challenge.

In Nepal, the end of a 10-year civil war was followed by the abolition of the monarchy, and then an election for a Constituent Assembly on April 10, 2008.<sup>40</sup> Liberia too dispensed with its dictatorship in the last decade, and Yemen is now being rocked by political demonstrations demanding democratisation.

The processes of democratisation continue in these countries and they face great challenges, but their example inspires hope that other LDC countries too will make progress towards democratic governance.

## **Calls to Action**

- LDC governments should immediately undertake massive political reforms and pave the way for more democratic states and political processes.
- The people of the LDCs should actively organise, empower themselves and be politically active; work towards achieving more democratic states; and demand that their governments fulfill their duties and responsibilities to their citizens; grassroots democracy or democracy from below should gain precedence.

## **Global governance**

What does it mean for global governance when the power centres of decision-making are moving away from inclusive fora to those of the most powerful, like the G20? One seat at the table of the G20 or participation by invitation does not correct the increasing concentration of power in the hands of the few countries that have the biggest financial stakes in the global economic system.

Not only is the developing pattern of global governance exclusionary, it also determines the priorities of the global agenda and leaves issues of inequality, social justice, poverty, human rights, and human development at the mercy of the financial and trade interests of the major powers. It also actively contributes to wastefulness in multilateral processes, which many powerful member states are the first to criticise.

Global governance and the structure of its architecture must adhere to the principles of genuine ownership, not the kind of ownership whose content is determined by small groups behind closed doors prior to presentation before the universal body. Global governance institutions, structures and processes must fully

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<sup>39</sup> *The Millennium Development Goals Bangladesh Progress Report 2009*, Planning Commission, Government of the People's Republic of Bangladesh, Dhaka, 2010

<sup>40</sup> *Voices through Ballot, Overview of Asian Elections 2008*, Lee, J. O., Ahmad, M. (eds), Korea Democracy Foundation, Seoul, 2008

involve LDCs and other countries of the South. This is the only way that their concerns, interests and futures will be taken into account.

There must be genuine participation in decision making beyond the oft called for transparency and token consultations that can be satisfied by outreach and information sharing on websites.

### **Calls to Action**

- We call for a Charter-mandated Global Economic Council as part of the architecture of the United Nations. It may look naïve to insist this must be under the auspices of the universal forum of the United Nations when one witnesses its active undermining by many Member States. However this is at present the only arena where all countries are meant to sit together as equals.
- We call for massive overhaul of the structures of international institutions that function as channels of global governance towards democratic representation of countries, where power and voice is not based on economic weight.

## 13. Role of civil society

Civil society remains generally weak in many LDCs, where the freedom of association and expression is often curtailed. In some countries, civil society is seen at best as unimportant and irrelevant. This is a double injustice – both a violation of the civil rights of citizens and an undermining of the process of development.

There is much evidence to show that civil society activities, including through peoples' movements and NGOs, have greatly enhanced the development process as well as helped establish democratic political orders.

Awareness-raising campaigns conducted by civil society have built strong international movements for debt cancellation, climate justice, social justice, gender equity, more and better development assistance, education for all, equitable trade rules, and control of arms trafficking, to name a few campaigns. These can help shape public opinion to support the aims embodied within the Programme of Action. But there also needs to be respect for the independence and political space of civil society, particularly when their views do not reflect government positions. Open debate within society is crucial in promoting public engagement with development plans and monitoring to ensure that commitments are met and resources are used honestly and efficiently.

As part of the civil society process in the context of the Fourth United Nations Conference on the LDCs, LDC Watch has been leading civil society consultations with the objective of reviewing the implementation of the Brussels Programme of Action and strategizing towards LDC-IV and beyond. Mobilisation of civil society has been done in almost all LDCs. To date, several consultations with mixed groups of local, national and international civil society organisations, along with other concerned stakeholders, have already taken place. At the regional level, in partnership with UN-OHRLS and relevant UN agencies, the following three consultations were held:

- Africa LDC Civil Society Assembly from 4-5 March 2010, Addis Ababa (Ethiopia), in the lead-up to the official regional review in Africa
- Pacific LDC Civil Society Assembly from 3-6 August 2010, Port Vila (Vanuatu), in parallel to the forty-first official Pacific Islands Forum
- Asia LDC Civil Society Assembly from 22-23 November 2010, Bangkok (Thailand)

It is important that national development programmes and the Istanbul Programme of Action are fully 'owned', not only by LDC governments but also by the LDCs' peoples. Governments need to make more efforts to engage with all levels of society, through legitimate and effective processes that ensure democratic ownership to development programmes truly reflective of national perspectives and aspirations. There is also a continued and urgent need to improve transparency and reduce the degree of arbitrariness in

government decision making, so as to improve popular trust and decrease the likelihood of corrupt practices.

## **Calls to Action**

We call on the UN and all member states to work with civil society as full partners. We want to play a crucial role in building support for the new Istanbul Programme of Action and ensuring it is implemented. There are three key things that all governments can do to honour this spirit of partnership:

- In follow-up processes, involve civil society meaningfully; not just in formal consultations but in policy options and formulation. This should be a part of broader policy to allow political space for an independent civil society and build their capacity.
- Commit to enhancing openness and transparency in follow-up processes, publishing your plans and progress reports, and inviting input from civil society and through parliamentary processes.
- Strengthen processes of public accountability and integrity, including independent processes for ensuring compliance with international obligations, including on corruption and human rights, adherence with national laws and fair treatment of citizens.
- In order to foster the vital roles of civil society, capacity-building programmes and activities should be encouraged and supported. This will result in ensuring that civil society has the increased technical capacity, financial resources, access to information, and secured political space necessary to carry out its implementation and advocacy functions.

## **Role of civil society in the transitional peace process of Nepal**

In the transitions from authoritarianism to republicanism, as well as from violent conflict to peaceful politics, the role of civil society has become instrumental. After taking absolute control of the government dismissing the elected parliament in 2005, then King Gyanendra adopted the tactics of suppressing political activities. For a considerable period of time, the parties could not function properly to mobilise the people against the tyranny of the King. It was apparent that the people were not happy with the political parties when they did not respond to the need of the time. Here, civil society organisations worked as link between the people and the parties by facilitating interactions between them and helping them to come closer. As public demonstrations started to swell, civil society organisations acted as observers to peaceful rallies and demonstrations minutely documenting and disseminating any use of excessive force by the state. They acted as the buffer between armed security forces and peaceful demonstrators, while encouraging the latter not to give up until their freedoms and liberties are restored.

Similarly, in the midst of armed conflict, the civil society organisations consistently advocated the need for negotiated settlement and facilitated dialogue between the Maoists and other political parties. People were mobilised at the grassroots level against all forms of excesses and highhandedness. All forms of human rights violations were documented, shared widely, locally and globally, and voices and actions were mobilised against the violations. The parties in conflict were constantly put under pressure to respect the fundamental principles of human rights.

All these created conditions for the parliamentary political parties to form the Seven Party Alliance (SPA) to fight against the monarchy. This also created grounds for the SPA and the Maoists to agree to the 12-point agreement which opened the door for the Maoists to join other political parties. Thus two streams of political quarters converged to form a united front against the monarchy which was indeed an unique alliance.

The civil society organisations marched together with the people during the 19-day people's movement in April 2006. Thereafter, they played a crucial role in getting all the parties to sign the CPA and implement it. During CA elections, they mobilised all their institutional strength to monitor the election as observers throughout the country. They have been continuing pressure on all political parties to work collectively and take the peace process to a logical conclusion. Nepal's civil society organisations are an inseparable part of the country's transitional peace process.

*Democracy, Development & Peace in Asia*, Proceedings of the Conference on Democracy, Development & Peace in Asia, RRN, LDC Watch/KDF/SAAPE/ARENA, Kathmandu, 2009

## **14. Monitoring, follow-up and graduation**

### **Monitoring and follow-up**

Effective and full implementation of the new Istanbul Programme of Action demands rigorous monitoring. While national governments are instrumental in the process, a positive and supportive international community is obviously important. The monitoring process must be inclusive to the highest degree. Though multi-stakeholder dialogue is increasingly being acknowledged as an instrument of consensus building, unfortunately this is still being exercised in a tokenistic manner. Space for civil society participation is actually being restricted under different pretexts.

All the relevant stakeholders will have to be involved from the very beginning of the mainstreaming of the new Istanbul Programme of Action into national plans. This will require broad consultations at local and national levels that succeed in soliciting the inputs of people as much as possible, a process that will also raise awareness among the public. These actions are necessary to ensure national and citizens' ownership of the new Istanbul Programme of Action, which in turn will contribute to its effective implementation.

As a follow-up mechanism, a multi-stakeholder forum with representatives of the government, the multilateral bodies, and civil society should be constituted with due gender and geographic balance. The forum should have a clear mandate to monitor the implementation of the national plans of action. It should facilitate a national and global annual review of the new Istanbul Programme of Action rather than merely annual reporting. Such a mechanism should provide adequate space for observations and assessments on the part of civil society organisations and individual citizens.

### **Transparency and public engagement**

Governments and development partners had been overseeing the implementation of the Brussels Programme of Action with little input from the people of the LDCs that it is meant to help.

There should be full disclosure of all information on all projects, including MoUs between IFIs, corporations, bilateral donors and LDC governments. To ensure that there is full accountability and transparency on the part of the international community and LDC governments, it is necessary that those people and communities that are affected by interventions are adequately consulted. It is also necessary to organise public hearings at the country level around selected projects, so that the people are aware of the costs and benefits and likely impacts on their lives and livelihoods.

We call on LDC governments and their development partners to remain fully accountable for the impacts of their interventions on human rights, equity and sustainability.

### **Graduation**

The fact that only three LDCs have been able to graduate from this category in the last few decades does not bode well for the hope that at least half of the current total of 48 LDCs will be in a position to graduate by the end of the implementation period of the new Istanbul Programme of Action.

The vision of a world without LDCs should not be based on indicators of unsustainable activity. Thus rather than emphasizing economic growth, the international community should base development on structural and systemic changes in LDC economies that result not only in growth but also equity, social justice, the exercise of basic human rights, environmental security, and sustainability.

Graduation from LDC status does not mean attaining a certain economic level within a hostile global economy that LDCs have very little control over, and from which they must protect themselves in the face of exogenous shocks and unfair and speculative commodity pricing that benefits non-productive financial players to the detriment of those men and women who toil to produce food.

Graduation should mean changes in the global economic system to move towards an economic environment that is built on mutually beneficial, fair and just relations, and enables human-centred development and environmental justice. The international community should not endorse a concept of graduation that rests on measuring the achievements of LDCs without addressing global inequalities that benefit only the “development partners”.

Graduation must be based on a compact that binds equally LDCs, development partners, emerging economic players, and the entire international community. It must be a compact that addresses obstacles, both domestic and global, and enables sustainable, solid, equitable development for LDCs.

Graduation must be radically redefined.

As has been pointed out, the world has changed along with our understanding of it. A new development strategy is needed to match the current realities. This applies equally to the concept of graduation, which is a hangover from the time when economic activity was domestically focused and controlled and the dominant economic analysis was relatively blind to external and global hindrances to LDCs’ development.

Some LDC governments even appear reluctant to graduate due to the fear of losing some of the benefits of being an LDC, particularly in the areas of trade and finance. Governments must be motivated by the international community, and challenged by their own citizens to do everything they can to lift their respective countries out of LDC status. Graduation should not be equated with losing special and differential treatment, but more importantly, with empowerment and a better quality of life for the peoples of the LDCs.

## 15. Conclusion

Civil society in LDCs demands a greater role in development policy-making and implementation at both the international and national level, and the right to mobilise people to take action so they can make a difference to the circumstances in which they live. In recent years, civil society – in LDCs as well as across the world – has been demanding more and better support from its own governments and from the international community in order to empower LDC citizens.

Global civil society voices call for more and better aid, which means real aid, oriented towards development effectiveness rather than the dominant ‘aid effectiveness’ approach which is undermined in practice by conditionalities that encroach upon LDC sovereignty. Civil society has been largely marginalised, as indeed have national governments, from the design and implementation of most major ‘development’ interventions introduced by bilateral or multilateral agencies.

There is a need for a giant paradigm shift as regards global development policy and practice. This means recognising, addressing and redressing, in global development policy, the unequal partnerships and unequal power relations that exist at the international and national level. It also demands preferential treatment and affirmative action for LDCs leading to ‘fair trade’, debt reduction and cancellation, and a real commitment to substantial increases in ODA addressing the special needs of LDCs, with more support for effective sustainable development, less ‘conditionality’ in the conventional sense, but more transparency and commitment to promoting people-centred development and good governance at all levels.

LDCs need a bold alternative agenda to implement new policies, devise new forms of development governance, and receive more effective multilateral and bilateral support in order to genuinely move beyond the status quo and reduce the number of LDCs at least by half by the end of the decade. The agenda must focus on developmental justice to help the poorest and most vulnerable countries and people. It should build on global development experience, good practices, successes and failures, and must inspire people and provide the framework for collective action from all countries and all parts of society.

This report echoes the voices of civil society movements in both LDCs and non-LDCs and makes an attempt to articulate our key demands that they would like to see addressed in the Istanbul Programme of Action for the LDCs for the next decade.

Below is a summary of the calls to action for all the CSOs, governments, and other agencies in the international community:

## **Strengthening the domestic economies of the LDCs**

- Support the development of small and medium sized enterprises and manufacturing sector with priority for those producing goods for domestic needs; encouragement for the development and formalisation of the informal sectors; strengthening of vocational training, particularly for vulnerable groups in society; and investment in economic infrastructure for poor and marginalised areas.
- Regulate foreign investment and international business to ensure that they contribute to the development of the domestic supply economic, to macroeconomic stability, and to the development of technical and managerial skills, local economic development and small business development.
- Public and sovereign control over key natural resources with full transparency and accountability.
- Legally binding rules of disclosure for resource exploiting transnational corporations and major domestic companies; Disclosure should include the terms of the contracts and the remittances and income of these industries/companies; these terms and transactions must be transparent to the citizens as a whole and not just to the government of LDCs.

## **Ensuring the necessary financial resources for equitable, just and sustainable development**

- Reform tax incentive policies to ensure that foreign investors and big corporations contribute a fair share to public resources and improve tax policies to address tax avoidance and tax evasion, including cross-border issues.
- Address the problem of illicit flows, transfer pricing, tax havens and capital flight, which are generated and/or exacerbated by flawed taxation systems and weak reporting and accountability systems.
- Comply with ODA commitment to LDCs of 0.15-0.20 per cent ; total aid flow currently stands at 0.09 per cent only even at the end of the Brussels Programme of Action for LDCs for the Decade 2001-2010.
- Provide grants not loans. Loans constitute a big part of aid flows and add to the already huge debt stocks claimed from many countries in the South. Aid in the form of loans cannot effectively address poverty; it only worsens poverty, gender inequality and the crises of food, energy and climate.
- Agree on the principle of an international financial transaction tax (FTT) to be used as an additional resource for development, the fight against climate change, and the financing of social policy and public services.

## **Addressing the problem of external debt**

- Immediate and unconditional cancellation of all debts of LDCs; Moratorium on debt payments by LDC governments pending debt cancellation.

- Establish an international process with counterpart national processes aimed at a rigorous study of illegitimate debt, including case studies, in order to come up with policies to lead to full and unconditional debt cancellation and changes in lending and borrowing policies and practices.
- Promote and implement independent, transparent, and comprehensive audits of public debt.
- Pursue immediate changes in the policies and practices of lending and borrowing to move towards sovereign, democratic and responsible financing.

### **Transformation of the international financial system**

- Tight regulation of speculative activities especially; Ban speculation on food commodities.
- Review and reversal of financial liberalisation agreements and policies that undermine LDCs democratic regulation of financial flows and activity.
- A review of the mandate and operations of international financial institutions such as the IMF and the World Bank towards the establishment of alternative institutions.

### **Agriculture and Food Sovereignty**

- Formulate of agrarian reform policies and their implementation in favour of smallholder farmers. These initiatives must take into account the productive resources that are essential for the acceleration of agricultural production (e.g. land, forest, water, fisheries, pastures).
- Focus on the needs, strengths and rights of smallholder farmers, particularly women, supporting them to organise into producer associations or cooperatives and to add value to their indigenous production systems.
- Promote economically viable, socially acceptable and ecologically sustainable farming practices so that the food sovereignty of LDC people is strengthened.
- Take international action to regulate supply chain concentration, food speculation, land grabs, genetically modified seeds, and large scale biofuel production.
- Respect for the right of LDCs to protect their agricultural sector, especially small-scale producers.

### **Environmental crises and climate change**

- Commit to deep, drastic, unconditional cuts in carbon and GHG emissions through domestic measures, to be expressed in international, legally binding agreements within the Climate Convention that contain targets based on science and equity. The pursuit of false solutions must cease.

- Commit to obligatory, predictable, condition-free, additional, non-debt creating public finance to cover the full costs of adaptation in countries of the South, as well as the costs of shifting to sustainable systems – to be part of international legally binding agreements within the Climate Convention.
- Give priority to enabling LDC citizens to deal with the impacts of climate change by securing and allocating the resources necessary and ensuring the appropriate and equitable use of these resources.
- Remain firm in exacting the fulfillment of obligations of Annex 1 countries based on common but differentiated responsibilities that are part of the Climate Convention's principles, and the recognition of climate debt owed to the people of the LDCs and the rest of the South.
- Come out with a Programme of Action that supports the above, as well as a resolution on international recognition and protection of the rights of climate refugees and migrants.

### **Trade for Development: Fair Trade not Free Trade**

- Immediately extend full and unconditional market access to all developed country markets for all LDC exports, and reduce non-tariff barriers such as overly restrictive SPS and TBT. Emerging economies in a position to do so should be encouraged to offer duty-free and quota-free access to LDC products.
- Reform the rules of origin so that they are simple, allow for regional and LDC cumulation, and promote manufacturing opportunities for LDCs.
- Strengthen Special and Differential Treatment and policy flexibility for LDCs, and make it operational according to a given country's stage of development (rather than limiting it by time) within the WTO and regional and bilateral agreements, so that LDCs can adopt development strategies that reflect their specific needs and opportunities.
- Fully implement the agreed provisions to facilitate the accession of LDCs to the WTO, and provide access to an independent appeals mechanism to prevent unreasonable demands during accession negotiations.
- Provide support to LDCs in building capacity in order to meet product and quality standards and scaled-up aid for trade support that is driven by LDC needs and appropriate to their priorities.

### **Women's Empowerment & Gender Equality in Development**

- Strengthen women productive capacity by increasing their access to scientific and technical fields particularly in the agricultural and agri-business sector.
- Prioritise and allocate resources to support LDCs to implement policies to achieve all MDG in relation to women, and not just on MDG 3.

- Support UN Women to lead, coordinate and promote accountability of the UN system to support LDCs to achieve results in gender equality and women's empowerment within their development plans, policies and programs and with their leadership.
- Use debt relief in LDCs in gender related program and infrastructure for economic opportunities for women in LDCs.
- Open up opportunities in trade for women enterprises from LDCs.

## **Migration**

- Highlight in the new Istanbul Programme of Action for respect and full enjoyment of human rights by the migrants, migrant workers, their children and their other dependants. It must ensure the right to mobility and work.
- Effective regulatory mechanism on sexual exploitation and forced labour, particularly the women and children who are highly vulnerable to sexual exploitation and forced labour. The Programme of Action must provision effective modality to be able to reduce and/or eliminate trafficking in human beings from the LDCs.
- Ensure access of the migrant workers to basic services and amenities. Ensure effective social security systems for the migrant workers.
- Both the male and female workers' right of equality must be ensured by ensuring equal pay for the similar types of employment. No discrimination on the basis of origin and sex/gender. Ensure safe, fair, equal and equitable working conditions to women migrant workers

## **War and Conflict, Human Security and Human Rights**

- No states, mechanisms and process should violate the fundamental rights of the people in the LDCs. The right to self determination must be respected, protected and fulfilled.
- LDC governments must ensure their citizens the full enjoyment of all international instruments of human rights including the ICESCR and its OP, ICCPR and its OPs, ILO Labour Standards, CEDAW, CERD, CRC, CAT, UDHR, etc. The political and administrative governance and the development interventions must be in conformity with the HR instruments.
- Effective legal provisions must be put in place to eliminate the culture of impunity.
- Security forces and state mechanisms/structures responsible for maintaining law and order in the LDCs must be adequately trained on human rights and social justice education.
- Trafficking in person in the LDCs is a grave human rights crisis; therefore effective measures must be put in place to avert this situation in the LDCs.

## **Governance and Development**

- LDC governments to immediately undertake massive political reforms and pave the way for more democratic states and political processes
- Peoples of LDCs to actively organise, empower themselves and be politically active; Struggle for more democratic states and demand LDC governments to fulfill their duties and responsibilities to their citizens
- We call for a Charter-mandated Global Economic Council as part of the architecture of the United Nations. It may look naive to insist this must be under the auspices of the universal forum of the United Nations when one witnesses the active undermining of it by many member states. However this is at present the only arena where all countries present and all are supposed to seat as equals.
- We call for massive overhaul of the structures of international institutions that function as channels of global governance towards democratic representation of countries, where power and voice is not based on economic weight.

## **The Role of Civil Society**

- In follow up processes, involve civil society meaningfully; not just in formal consultations but in policy options and formulation. This should be a part of broader policy of allowing the political space for an independent civil society and building their capacity.
- Commit to enhancing openness and transparency in the follow up actions, publishing your plans and progress reports; and inviting input from civil society and through Parliamentary processes.
- Strengthen process of public accountability and integrity, including independent processes for ensuring compliance with international obligations, including on corruption and human rights, adherence with national laws and fair treatment of citizens.

## Call for Consensus

The international community must reach a consensus in dealing with the danger of poverty that is threatening the very future of human society. Poverty eradication must be the foremost agenda of our time. The LDC Programme of Action is achievable if there is political will and the participation of all stakeholders. LDCs cannot accomplish such a colossal task on their own; they need an enabling global environment, facilitated by the industrialised countries of the North. On the home front, LDC governments must also do their part to allow space for all citizens to participate in the decisions that affect their lives, and ensure democratic and just governance. It is time to come together for LDCs, with a clear vision of graduation from LDC status, and explicit mechanisms to achieve this goal.

*Come, come, wherever you are  
Wanderer, worshipper, lover of living  
It doesn't matter.  
Ours is not a caravan of despair.  
Come even you have broken your vow a  
thousand times.  
Come, come yet again. Come.*

-(Mevlana Jalaluddin Rumi)

# ANNEXES

## **Annex 1 : Africa LDC Civil Society Assembly Declaration**

5 March 2010

We, the civil society representatives, from African Least Developed Countries (LDCs) met on 4-5 March 2010 in Addis Ababa prior to the official Ministerial meeting on the Review of the Implementation of the Brussels Programme of Action (BPoA) in Africa scheduled on 8-9 March.

Our Assembly discussed the development challenges in African LDCs especially the impacts of the Food, Climate Change, Financial and Economic crises. Our deliberations have underscored the failure of the BPoA for the Decade 2001-2010 and the fact that the Millennium Development Goals (MDGs) will not be achieved by 2015.

Our discussions underscored the impact of the different crises mentioned above. The food crisis has increased the number of people suffering from hunger in most African LDCs. The FAO has estimated that that around 300 million Africans are among the one billion people suffering from hunger worldwide. On the other hand, climate change has reduced access to food for many people, especially for “the poor” and the marginalised”. Furthermore, it has accelerated desertification and environmental degradation which will aggravate food shortages.

The financial has led to a significant decline in financial flows illustrated by the fall in exports, lower remittances and a contraction in development assistance. In fact, the financial crisis is a good pretext for Western countries not to make good on their commitments regarding official development assistance (ODA). Indeed, real resource transfer from ODA had been declining over the previous 10 years. “Debt relief” and emergency assistance are now a substantial part of ODA flows. The commitment made in July 2005 in Gleneagles with much fanfare to double “aid” to developing countries by 2010 will fall short by \$21 billion.

The impact of the financial crisis on the real economy in African countries resulted into falling economic growth and higher employment. The average growth of the continent in 2009 was estimated at less than 2 per cent, compared with average annual growth of more than 5 per cent before the crisis. This will translate into the deterioration of human development indicators, such as health, education, nutrition. The gender and social discrimination may further worsen.

### **TIME FOR PARADIGM SHIFT**

One of the major lessons to be learned from the financial and other crises is that neoliberal policies have utterly failed. For African countries in general and for LDCs in particular, it is obvious that maintaining current policies – such as trade liberalisation, privatisation of public services, unfettered capital flows, and tight fiscal policies – will only worsen the multiple crises that LDCs are already going through.

Therefore, we call for a paradigm shift.

African countries must move away from market fundamentalism by reversing neoliberal policies, such as trade liberalisation, privatisation and deregulation. They should challenge and reject failed and discredited policies advocated by the IMF, the World Bank and the WTO.

They should reject “free trade” agreements, such as the EPAs pushed by the European Union.

They should speed and strengthen regional integration as well as South-South cooperation.

They should engage in policies of food sovereignty as advocated by agricultural producers and peasant organisations.

Overall, African countries must reclaim the debate on their development.

They should restore the role of the State as vigorous agent of development.

In this regard, the State should be an instrument for domestic resource mobilisation, which would help reduce dependence on external sources.

African countries should engage in industrialisation policies that create jobs and add value by using labour intensive techniques.

African countries must learn from changes taking place in Latin America and in other developing countries that are reclaiming their sovereign right to design and control their own development.

At the international level, there needs to be policy coherence between the different multilateral institutions. There also needs to be coherence between policies on different issues, for instance between trade and finance, and between trade and agriculture.

We call for deep reforms of the global governance to change the current power imbalance that favours developed countries.

## **Annex 2 : Pacific LDC Civil Society Declaration**

5 August 2010

Convened in Port Vila, Republic of Vanuatu, parallel to the Pacific Islands Forum Summit from 3 – 6 August 2010, the Pacific Civil Society Assembly is part of the regional preparation towards the UN Global Summit on the Millennium Development Goals (MDGs) in New York in September 2010 and the Fourth UN Conference on Least Developed Countries (LDCs) in Istanbul in May 2011;

We acknowledge the organizing of this Assembly by LDC Watch, in association with the United Nations Millennium Campaign (UNMC) and the United Nations Office of the High Representative of the Least Developed Countries, Landlocked Developing Countries and Small Islands States (OHRLLS);

We appreciate the special contribution by local hosts, the Vanuatu Association of Non Government Organisations (VANGO), the Vanuatu Indigenous Peoples Forum (VIP-Forum) and the participation of the Vanuatu Government in officiating the opening and the closing of the Assembly;

We acknowledge the participation of delegates from Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu, defined by the United Nations as LDCs, and the participation of national and regional CBOs, CSO and NGOs.

### **Our Guiding Stars.....**

- We affirm that our aim is to eliminate the LDC label;
- We uphold our Pacific Islands cultural wisdom, values and heritage as our guiding stars during the elimination process and beyond;
- We cherish the natural wealth and resources derive from the universe, the ocean, the land and diverse cultures that continue to sustain our wellbeing;
- We reiterate that despite our remoteness and smallness in the world's largest ocean, we are people and States with dignity and valuable resources;
- We expect the principles of respecting the integrity and identity of each Pacific Island sovereign State when dealing with bilateral and multilateral partners;
- We reaffirm that the global definition of poverty does not apply in Pacific context.

## **Defining our Unique Issues.....**

We recognise that -

- Our priority needs are unique and paramount in the small islands context, and should always be addressed respectfully in our own context that recognises the Pacific cultural value systems that have sustained our communities over centuries;
- Our small islands states were defined as Least Developed Countries (LDC) or "countries with special needs" by the former colonial administrators and the United Nations before the islands were returned as independent States;
- The LDC definition was based on a western concept of modern monetary income and special attention for assistance from developed countries;
- The definition which was genuinely accepted by our own governments at that point of time was a temporary measure, meant to assist the newly independent States in their transition to monetary self sufficiently;
- Over the years the LDC criteria have been redefined to the extent that what meant to be a temporary measure, has led to government comfort of aid dependency, often refusing to seriously consider graduating during a series of LDC review processes that occur every three years;
- Foreign aid has increased in proportion, intensifying both monetary and technical invasion, destabilizing aid coordination, demoralizing national human resource capacity, increasing corruption and diverting governments attention from national priority needs;
- During the last five decades (Samoa), four decades (Kiribati, Tuvalu, Solomon Islands) and 3 decades (Vanuatu), foreign aid has been used discriminately to fund the administrative costs of the governments and not the delivery of services to the majority whose livelihoods depend on subsistence farms but are expected to pay in monetary terms;
- That LDCs status and foreign aid has had more negative impact on state machineries, discouraging our governments' freedom to speak out and undermining our national sovereignty;
- Global warming, climate change, natural disasters and crisis as continuing threats to the Pacific islands' subsistence livelihoods.

## **Way Forward...**

- We pledge our commitment first, in achieving the priority needs of our people which are obligatory to our family security, community sustenance and national development priorities;

- We demand that the United Nations in association with each of the five Pacific States conduct a nationwide referendum prior to 2015 for the citizens to determine their status as LDC;
- We call on our individual governments, to take leadership in initiating, collaborating and partnering with civil society organisations and citizens, in the planning, implementation and achievements of national priorities and the BPoA, to accelerate the removal of the LDC label;
- We call on Pacific Islands governments, specifically to consult Traditional Leaders on the proper use of indigenous value systems and traditional knowledge, which could be used to achieve the MDGs/BPoA;
- We urge the Pacific Island governments to collectively ensure accelerated achievement of the MDGs 1 – 8, by engaging citizens and civil societies in monitoring the delivery of basic services throughout their national community;
- We commit ourselves as Pacific Islands civil society leaders, to engage actively in the upcoming national, regional and international review processes of the Millennium Development Goals (MGDs), including the UN Global Summit in New York in September 2010 and the Fourth UN Conference on Least Developed Countries (LDCs) in Istanbul in May 2011;
- We request governments of industrialised nations, who have seriously lagged behind on climate change commitments leading to our security threats, to step-up tangible action with urgency on MDG 7, ensuring environment sustainability at all times;
- We agree to establish a network of Pacific Star Watch with a focal point in each of our respective country, to safeguard civil society in the implementation, monitoring and review of regional and international agreements that are appropriate to Pacific islands communities.

## **Annex 3 : Asia LDC Civil Society Declaration**

23 November 2010

In 22-23 November 2010, civil society representatives from nine Asian LDCs met in Bangkok, Thailand, to review progress corresponding to Brussels Programme of Action (BPoA) and the Millennium Development Goals (MDGs), and to firm up civil society position corresponding to the UN LDC-IV 2011.

We acknowledge the organising of this Assembly by LDC Watch, in association with the UNOHRRLLS and the UNESCAP. We appreciate the special contributions by the representatives of LDC Bureau, UNESCAP and UNOHRRLLS.

The participants particularly assessed achievements made so far, as well as challenges and concerns, highlighting the importance of democratic governance and human rights in underpinning sustainable human development.

In 2001, Asian LDCs joined LDCs of other regions in the UN LDC-III conference in Brussels to enter into an understanding with the international community to pursue LDC focused development processes and goals. Since then, Asian LDCs have made some progress towards meeting some targets and goals. It is evident that several targets are unlikely to be met and need vigorous attention, including the advancing in the accomplishment of MDG goals. More importantly there has been no movement forward in developing and pursuing alternative development pathways that are just, equitable and sustainable.

In the past decade we have witnessed the following alarming trends.

- As part of the pursuit of neo-liberal policies and market oriented approaches to “development by many LDCs, rampant privatisation is being carried out, thus turning the declared pro-people framework largely into an empty slogan. Indiscriminate privatisation, especially of essential services, has made inroads into other domains of natural resources like land, water, minerals and forests. In the same manner, liberalisation of trade and services has been implemented.
- External trade is increasing, so also trade deficit. LDCs continue to export natural resource-based and labour-intensive commodities at low price and import expensive capital goods and industrial raw materials. The export base is very limited and LDCs and other countries in the South are losing negotiating power as they are competing with each other in the global market.
- The flow of ODA resources to LDCs has shrunk drastically over the years as the OECD countries have failed to comply with their commitment for the minimum level of support. On the other hand, for many LDC countries there has been increase in debt burdens and continued imposition of conditionality, though packaged in new ways. Many LDC governments perpetuate dependence on borrowings and aid.

- Corruption, lack of transparency and accountability and prioritizing elite agenda are characteristics of many LDC governments. Democracy, justice and the rule of law have suffered very much. Stability, coherence and just governance are the bedrocks to create an environment conducive to the attainment of the development goals. Furthermore state institutions should be democratised and made more responsive, capable and accountable to the peoples.
- It is an irony that the level of effective participation in democratic governance is not improving with the restoration of electoral democracy and limited economic growth in some LDCs. The benefits of democratisation and economic growth are being monopolised by a small oligarchy comprised of the political elite, the bureaucracy and the big business which operate under the umbrella support of the global financial regime and continue to suppress people's aspirations for a dignified life.
- While we have seen some gains in the empowerment of women and the realisation of women's rights, we have also seen the intensification of trafficking of women and other forms of violence against women. The inclusion of women in political processes have remained mostly token and formalistic and largely limited to elites, rather than truly empowering for the masses of women. Further, this past decade has given rise to different crises and made us more aware of challenges that we had not given as much attention to in the past. The financial crisis and climate crisis multiply several-fold the challenges of development and reinforce the need to rethink development in a fundamental way.
- The international financial crisis that erupted in 2008 and has spiraled into a global economic crisis has affected workers and marginalised people all over the world, and generated more suffering for the people of LDCs. The crisis has also dramatically illustrated the unjust and irrational nature of the international financial system and the need to transform it in profound ways. LDC civil society groups are challenged to develop their visions and alternatives to the current system and to struggle for alternative financial architecture and relations within which LDC countries will be able to pursue people-centered development.
- The grave threat of climate change and global warming on all peoples and countries of the world is now recognised by most civil society organisations and governments. While we have not been responsible for the climate crisis, the peoples of the South suffer its most harmful consequences now and in the future because of accumulated economic and social vulnerabilities throughout history till the present. It is especially worse for children, women, workers, farmers, fishers, indigenous peoples of LDCs, facing severe economic and social challenges.
- LDCs are increasingly being hit by disasters like flood, cyclone, storm surge, earthquake, drought and desertification because of climate change caused largely by the industrialised countries of the North, while the poor people of the LDCs are paying the price. LDCs have been demanding compensation from the industrialised countries for the adverse effects they have suffered due to climate change for no fault of theirs. However, there has not been any substantial change in the

collective behaviour of the Northern countries in admitting their crime and committing resources for adaptation and mitigation.

- Developing and pursuing an agenda for climate justice and joining hands with other movements are a challenge that LDC CSOs are now taking up. LDC CSOs must also be more active in international processes that address climate such as the UNFCCC.
- For poor people, vulnerability is both a condition and a determinant of poverty, and refers to the ability of people to avoid, withstand or recover from the harmful impacts of factors that disrupt their lives and that are beyond their immediate control. The participants reiterate their call for development that involves economic justice, equity, ecological integrity, full democracy, political empowerment, and genuine peace. Let there be no LDC-V after ten years.

We particularly emphasise to vigorously pursue the following issues and demands in view of the upcoming LDC-IV Conference 2011.

1. No MDGs without LDCs;
2. We demand Global Campaign in defending LDC interests, demand mechanism/ structure that take LDC programme of action forward;
3. LDC people are the most vulnerable in the world and thus need prioritised and urgent attention;
4. Negative impacts of multiple crises (food, fuel, debt and climate) in Asian LDCs must be addressed and redressed;
5. LDC IV must not be business as usual; there must be a radical shift in agenda and mechanism to deal with new challenges faced by LDCs;
6. Immediate implementation of all commitments made by the international community at different points in time including previous LDC Conferences and the UN Millennium Summit;
7. Immediate and unconditional cancellation of all illegitimate debt of LDCs;
8. Trade FAIR, financially and environmentally, not FREE;
9. Asian LDCs, particularly SIDS, facing the threat of sea level rise and countries exposed to melting of Himalayan glaciers, demand urgent attention and priority action;
10. Climate reparations, climate justice and climate finance by a credible UN agency acceptable to LDCs;
11. All governments to protect and respect fundamental human rights of all citizens;
12. We want a WORLD FREE of LDCs.

## Annex 4 : Indexes on Least Developed Countries Development

### 3. Real GDP, Total and per capita : Annual average growth rates (per cent)

Country	Real GDP							Real GDP per Capita						
	1980-1990	1990-2000	2000-2009	2006	2007	2008	2009	1980-1990	1990-2000	2000-2009	2006	2007	2008	2009
Afghanistan	-1.6	-1.8	16.8	11.2	16.2	3.4	22.5	-0.1	-6.6	12.7	7.3	12.2	-0.1	18.4
Angola	3.4	2.2	13.2	18.6	20.3	14.8	-0.4	0.3	-0.7	10.0	15.3	17.1	11.8	-3.0
Bangladesh	3.8	4.7	5.9	6.6	6.4	6.2	5.4	1.3	2.7	4.2	5.0	4.9	4.7	4.0
Benin	3.3	4.6	3.9	3.8	4.6	5.0	2.7	0.3	1.2	0.6	0.4	1.3	1.8	-0.4
Bhutan	10.6	5.5	8.8	5.8	21.4	6.6	6.3	7.6	5.5	6.2	3.5	19.2	4.9	4.7
Burkina Faso	2.9	5.4	5.5	5.5	3.6	4.5	3.2	0.3	2.5	2.0	2.0	0.1	1.0	-0.2
Burundi	4.0	-2.6	3.0	5.1	3.6	4.5	3.5	0.7	-3.8	0.1	2.0	0.5	1.5	0.6
Cambodia	6.5	6.4	8.9	10.8	10.2	6.0	-2.5	2.6	3.5	7.2	9.0	8.4	4.3	-4.1
Central African Republic	1.4	2.0	0.8	4.1	3.7	2.2	1.7	-1.1	-0.5	-1.0	2.2	1.8	0.3	-0.2
Chad	6.0	3.4	8.8	0.2	0.1	0.3	-1.6	3.1	0.2	5.4	-2.8	-2.7	-2.3	-4.1
Comoros	2.7	1.2	1.7	1.2	-1.0	1.0	1.1	-0.2	-1.1	-0.6	-1.1	-3.3	-1.3	-1.1
Dem. Rep. of the Congo	1.6	-4.9	5.5	5.6	6.3	6.2	2.8	-1.5	-7.9	2.4	2.6	3.3	3.3	0.1
Djibouti	0.6	1.4	3.8	4.8	4.8	5.8	5.0	-4.5	-1.2	1.9	2.9	2.9	3.9	3.2
Equatorial Guinea	2.0	23.7	18.3	5.3	23.2	15.2	5.3	-3.5	19.7	15.1	2.5	20.0	12.2	2.7
Eritrea	..	5.7 <sup>a</sup>	1.3	-1.0	1.3	1.0	3.6	..	3.8	-2.3	-4.3	-1.9	-2.0	0.6
Ethiopia	..	5.3 <sup>a</sup>	8.6	10.8	11.1	11.3	9.9	0.4	2.2	5.8	8.0	8.3	8.5	7.1
Gambia	3.5	3.0	3.3	6.7	6.3	4.9	4.6	-0.4	-0.8	0.3	3.6	3.3	2.1	1.8
Guinea	3.2	4.4	2.5	2.5	1.8	4.0	-0.3	0.4	1.2	0.5	0.4	-0.4	1.7	-2.6
Guinea-Bissau	4.3	1.1	1.2	1.8	3.7	3.1	3.0	2.3	-1.3	-1.1	-0.5	1.4	0.8	0.7
Haiti	0.2	-0.8	0.7	2.3	3.2	1.3	2.9	-2.0	-2.8	-0.9	0.7	1.6	-0.3	1.3
Kiribati	0.8	5.6	1.3	-3.8	-1.8	6.3	-0.7	-1.9	4.0	-0.4	-5.4	-3.3	4.7	-2.2
Lao People's Dem. Rep.	5.1	6.5	7.1	8.3	7.9	7.5	7.6	2.3	3.9	5.3	6.4	6.0	5.5	5.6
Lesotho	3.9	4.7	3.8	8.1	5.1	3.5	1.4	1.7	2.9	2.8	7.1	4.1	2.6	0.6
Liberia	-5.0	3.9	0.0	7.8	9.5	7.1	4.6	-6.3	0.9	-3.5	3.5	4.8	2.4	0.3
Madagascar	1.2	2.0	3.4	5.0	6.3	5.0	-5.0	-1.5	-1.0	0.5	2.2	3.5	2.3	-7.5
Malawi	2.2	2.9	5.9	8.3	7.9	7.4	8.0	-2.2	0.7	3.0	5.3	5.0	4.5	5.0
Maldives	11.9	7.8	7.0	22.5	6.0	5.8	-3.0	8.4	5.4	5.5	20.8	4.5	4.3	-4.4
Mali	3.8	4.7	5.3	5.3	4.3	4.7	4.5	1.9	2.7	2.8	2.8	1.9	2.3	2.0
Mauritania	1.6	3.0	7.0	29.4	1.0	2.2	-1.1	-1.0	0.2	4.2	26.2	-1.4	-0.2	-3.3
Mozambique	-0.8	7.2	8.0	8.7	7.4	7.0	6.3	-1.8	3.9	5.3	6.0	4.9	4.5	4.0
Myanmar	0.6	7.0	11.7	13.1	11.9	4.5	4.8	-1.3	5.6	10.8	12.2	11.0	3.6	3.9
Nepal	4.6	4.9	3.9	3.2	4.7	5.6	4.7	2.2	2.4	1.8	1.2	2.7	3.7	2.8
Niger	-1.6	3.0	4.8	5.8	3.3	5.9	-0.9	-4.4	-0.4	1.1	1.9	-0.6	1.8	-4.7
Rwanda	1.8	0.1	6.5	7.3	7.9	11.2	4.1	-1.7	-0.9	4.1	4.8	5.1	8.2	1.3
Samoa	0.9	2.8	3.2	1.0	6.4	-3.4	-4.9	0.6	1.8	3.1	1.0	6.5	-3.4	-4.9
Sao Tome and Principe	-1.1	1.6	6.3	6.7	6.0	5.8	4.0	-3.1	-0.3	4.5	5.0	4.3	4.1	2.4
Senegal	3.1	3.3	4.1	2.4	4.7	2.5	1.5	0.1	0.5	1.4	-0.2	2.0	-0.2	-1.1
Sierra Leone	2.6	-8.8	9.2	7.3	6.4	5.5	4.0	0.2	-8.9	5.6	3.9	3.4	2.9	1.5
Solomon Islands	2.3	3.2	4.3	6.9	10.0	6.0	-2.2	-0.9	0.3	1.7	4.3	7.3	3.4	-4.5
Somalia	1.7	-3.2	2.7	2.6	2.6	2.6	2.6	1.7	-4.2	0.3	0.3	0.4	0.4	0.3
Sudan	0.1	7.4	9.3	9.4	10.5	7.6	4.5	-2.7	4.7	7.0	7.1	8.1	5.2	2.2
Timor-Leste	..	..	5.0	-3.4	16.2	6.8	7.4	..	..	1.2	-6.9	12.4	3.5	4.1
Togo	1.8	1.8	2.0	2.0	3.5	1.1	2.5	-1.7	-1.2	-0.5	-0.5	0.9	-1.4	0.0
Tuvalu	1.2	3.5	3.3	1.0	2.0	2.0	2.0	0.2	2.7	2.9	0.6	1.6	1.6	1.6
Uganda	3.5	7.4	7.4	7.0	8.6	9.5	7.1	0.1	4.0	3.9	3.6	5.1	6.0	3.6
United Rep. of Tanzania	2.7	4.0	7.1	6.7	7.1	7.5	5.5	-0.4	1.0	4.1	3.8	4.1	4.4	2.4
Vanuatu	5.5	2.7	3.9	7.4	6.8	5.7	3.3	3.0	0.3	1.2	4.6	4.1	3.1	0.7
Yemen	..	7.9	4.1	4.5	4.7	3.9	3.9	..	3.8	1.1	1.5	1.7	1.0	0.9
Zambia	1.0	0.5	5.4	6.2	5.8	6.3	6.3	-2.1	-2.3	3.0	3.7	3.3	3.7	3.7
LDCs	2.3	3.7	7.1	7.8	8.5	6.9	4.7	-0.3	1.1	4.6	5.3	6.0	4.4	2.3
LDCs: Africa and Haiti	1.9	2.8	7.3	8.1	9.0	7.9	3.8	-0.9	0.0	4.4	5.2	6.1	5.1	1.1
LDCs: Asia	2.9	5.1	6.9	7.5	7.8	5.5	5.9	0.6	2.7	5.1	5.7	6.0	3.8	4.2
LDCs: Islands	3.9	4.1	6.8	9.1	7.1	4.5	-0.4	1.3	1.8	-0.7	6.4	4.6	2.1	-2.7
Other developing countries	3.6	4.9	5.9	7.3	7.6	5.3	2.1	1.5	3.2	4.6	6.0	6.3	4.0	0.9
All Developing economies	3.6	4.9	6.0	7.3	7.6	5.4	2.2	1.4	3.1	4.4	5.8	6.1	3.9	0.8

Source: UNCTAD, UNCTADSTAT database, October 2010.

Notes: Real GDP and per capita - (2000 dollars - rebased using an implicit GDP deflator).

<sup>a</sup> 1992-2000 for Eritrea and Ethiopia.

**Annex 5 : Map of LDCs**

