



November 13, 2008

By Salil Shetty

Last week, the IMF adjusted growth forecasts downwards, predicting that poorer countries will see big losses in GDP over the next two years as a result of the global financial meltdown. Independent assessments estimate that developing countries' losses between now and 2010 will be in excess of \$300 billion.

The International Labour Organization estimates that an additional 20 million people will be unemployed before the end of 2009 and the number of people living in extreme poverty may increase by 40 million. Increased food prices cost poorer economies \$324 billion last year. Added to this, if a deep recession takes hold, developing economies will be further hit by significant trade contraction and loss in remittance incomes.

For the world's 1.4 billion people living on less than \$1.25 per day and lacking the safety net of rich countries, having less purchasing power is literally a question of survival – the difference between whether or not their children get a meal each day.

Eight years after 189 world leaders pledged to achieve the Millennium Development Goals -- a set of benchmarks to eradicate extreme poverty and improve health and education by 2015 -- we now risk stagnation or reversal. This agenda cannot be put on hold. Action is needed now to avoid a deepening poverty crisis. The current financial crisis cannot be used as an excuse for donor countries to backslide on the commitments they made at the G-8 summit in Gleneagles and in subsequent EU meetings.

While the World Bank pledged a \$100 billion package in recognition of the impact the financial crisis is having on developing countries, much more is needed. At the meeting of G-20 nations in Washington this Saturday, donor countries must commit to honoring all existing aid commitments, which in order to meet the agreed 0.7% of Gross National Income, amounts to about \$140 billion in additional aid per year.

In addition, leading civil society organizations are today calling upon world leaders to deliver a "bailout" package for the world's poor, who are bearing the brunt of a crisis they had no role in creating. The massive bailouts we have seen for the financial industry have shown us that the real issue we face in addressing this global crisis is not the availability of money, but of political will. The amount of money needed annually to achieve the Millennium Development Goals is a miniscule fraction of the estimated \$5 trillion of public money mobilized for the bank bailouts.

A special bailout package of \$300 billion in additional financing for developing nations should be provided by the G-8 leaders from now through 2010, to counteract the loss in GDP

and help them cope with the external shock. This is absolutely essential for poor countries to get back on track to achieving the Millennium Development Goals.

The package could be a combination of additional aid from the G-8, debt relief, and, if required, IMF gold sales. Recipient governments must in turn ensure that these funds are allocated for a significant scaling-up of social expenditures on education, health, water, sanitation, employment and social protection programs. These programs must particularly target the poor and excluded members of society -- especially women and children.

Apart from new credit lines to poor countries, G-20 leaders meeting this weekend have to find a breakthrough on the deadlocked trade talks. Global trade might contract for the first time in decades, devastating the livelihoods of poor people. Now is the time for rich countries to implement the longstanding commitment to provide genuine unrestricted market access to the poorest and most vulnerable economies, which make up less than 1% of the global market but are home to hundreds of millions of the world's poor. And this is the time, while rich countries -- particularly the U.S. and Europe -- review the effectiveness of their own public expenditures, to reform agricultural policies to ensure that they do not destroy markets poor countries depend upon. The existing trade rules that continue to impoverish poor countries and poor people are not just bad ethics, but bad economics as well.

Finally, it is obvious that the world requires a more equitable financial architecture based on a new and inclusive form of multilateralism. Any new agreement and system must be formulated through an inclusive process involving both rich and poor countries, governments and people's organizations, so that it will be accountable to the world's poorest people and be focused on upholding their rights and achieving the Millennium Development Goals.

In bailing out Western financial institutions, the rich world agreed that they could not allow the reckless actions of a few on Wall Street to wreak havoc on the lives of ordinary Americans and Europeans. When leaders of donor governments gather this Saturday, they must also not force the world's most vulnerable, poor and guiltless to pay the price for this crisis which is nothing short of a financial genocide.

Salil Shetty is the Director of the United Nations Millennium Campaign.