Public Statement

Issued by CEOs of INGOs on the impact of the global economic downturn – October 2008

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Last week the US government provided another bail-out of $37.8 billion to the giant insurance company, AIG, bringing the total of rescue loans to that one company in the last two weeks to nearly $123 billion. This is $18 billion *more* than the annual amount of aid to poor countries and twice that needed to achieve the internationally-agreed Millennium Development Goals. In Europe the bail-outs have continued. The UK government has thrown in a further £50 billion to recapitalise the UK banking sector – which is roughly what's needed for poor countries to adapt to climate change each year.

The urgency shown by rich countries to tackle the financial meltdown stands in stark contrast to their foot-dragging and broken promises over aid and poverty alleviation, human rights and climate change.

It is too soon yet to predict exactly how badly the poorest countries will fare in the financial crisis and resultant economic downturn. But it is clear that reduced demands for exports to developed countries and lower foreign investment will mean less growth and government revenue for already-fragile social protection and services.

For millions of the world's poorest citizens, it is literally a matter of life and death. In many countries social safety nets were dismantled under pressure from international financial institutions, leaving the vulnerable unprotected. In late September, while Wall Street was reeling from its financial failures in the glare of publicity, a meeting organized by the United Nations in another part of Manhattan revealed that very few governments will meet the targets set by the Millenium Development Goals to reduce poverty by 2015, and that rising food and energy prices have wiped away much of the progress made so far.

The human rights prognosis is not good. Not only are economic and social rights – including the right to housing, health and education – coming under increased pressure, there is a risk of more human rights violations. As the economy shrinks and countries tighten their belts, migrants and refugees could be pushed back to untenable situations. Social tensions could increase, leading nervous governments to clamp down on dissent and impose tough public security policies, curbing civil liberties. Already fragile states could be further weakened by the current crisis and slide back into instability and violence.

Worse could follow if rich countries decide to use the financial crisis as an excuse to cut aid and trade. History gives us cause for concern. During the 1972/3 recession, global aid spending fell by 15% to just $28.8 billion. In 1990/3, aid donors slashed their spending by 25% over a five-year period to $46 billion, and aid did not return to 1992 levels until 2003. Humanitarian aid – what we spend to help people hit by natural disasters and conflict – also fell sharply and over a similar time as a direct result of the 1990-3 recession (only the years of the Rwanda and Kosovo conflicts bucked that trend).

In terms of trade, for instance, countries reacted to the 1929 Wall Street crash and global depression by erecting tariff barriers and world trade fell by two-thirds.

A replay of that in 2009 would be a disaster for poor exporting countries. Reduced aid and trade flows could mean that the people in the poorest countries pay the highest price for the profligacy of the credit bubble in North America and Europe.

Human rights are not a luxury for good times. Inaction in the face of climate change is not a viable option. Global poverty does nothing for global stability. Rich countries will be following a myopic and self-defeating strategy if they ignore the most pressing challenges of our times and focus solely on narrow financial interests.

This is not just about money. It is about sustained attention, international collaboration and clear political will to tackle big issues. The signs of concerted action by the G7 finance ministers and the Eurozone finance ministers to address the financial crisis are welcome but they are not enough. Governments must reduce the volatility in energy prices, food prices and the financial markets by ensuring sensible regulation, adequate protection for the rights of poor and vulnerable people, and long-term environmental sustainability. Governments must show decisive leadership to build a global economy that is green and where better lives and livelihoods for all is more important than a system that rewards a privileged few.

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