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LDCs dealt serious economic blow by COVID-19

The health effects of the COVID-19 pandemic on the world's least developed countries have not so far been as severe as feared, but its economic consequences have led to the LDCs' worst economic performance in 30 years. This stems from these countries' longstanding vulnerability to external shocks, according to a recent UN report, which underlines the need to build up the LDCs' economic resilience by boosting their productive capacities.

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COVID-19 pushes LDCs to their worst economic performance in 30 years

While they have thus far been spared the most severe health impacts of COVID-19, the world's least developed countries are among the worst hit by the economic fallout from the pandemic, says a UN development body.

by Kanaga Raja

GENEVA: The COVID-19 pandemic has resulted in the least developed countries (LDCs) this year experiencing their worst economic performance in 30 years, the United Nations Conference on Trade and Development (UNCTAD) has said.

In its *The Least Developed Countries Report 2020*, released on 3 December, UNCTAD said that while the pandemic had (at least initially) a less-than-catastrophic health impact on the LDCs, its economic repercussions have been ruinous.

The pandemic led to LDC economies experiencing their strongest economic shock in several decades. This, in turn, resulted in a sharp economic downturn, brought about by the combined effects of a deep world economic recession and the consequences of the domestic containment measures adopted by LDC governments.

According to UNCTAD, between October 2019 and October 2020, the economic growth forecast for LDCs was revised sharply downwards from 5% to -0.4%. This revision is expected to lead to a 2.6% reduction in per capita income in LDCs in 2020, with 43 out of 47 LDCs experiencing a fall in their average income levels.

"This is the worst economic outcome in 30 years for this group of countries, and represents a significant reversal of the economic and social progress achieved in recent years, including in terms of poverty and social outcomes," UNCTAD said, adding that it also makes reaching the Sustainable Development Goals (SDGs) by 2030 a more distant prospect.

In order to rebuild the economies of the LDCs post-pandemic, UNCTAD called for their productive capacities to be drastically improved. It noted that the LDCs with the most developed productive capacities have best been able to combat the fallout from the pandemic.

Less severe health impacts

According to the UNCTAD report, the first LDC to declare a case of COVID-19 infection was Nepal, in January 2020. By March 2020, the disease had spread widely throughout the LDC group, leading to a rapid increase – from three to 37 – in the number of LDCs reporting cases of infection between the beginning and the end of the month. By mid-May 2020, 43 LDCs reported cases.

However, in spite of the initial catastrophic forecasts, the health impact of the COVID-19 pandemic on LDCs during the first eight months of 2020 was considerably less severe than what had been initially feared, said UNCTAD.

Seventy-one ODCs (other developing countries) and 42 developed countries had higher infection rates than the LDC average on 31 August 2020. Infection rates in the LDCs corresponded to one-fifth of those prevalent in ODCs, and less than 10% of those of developed countries.

Among LDC sub-groups, the most affected were the Asian LDCs, especially Bangladesh and Nepal, which had more than 1,000 cases per million inhabitants as of 31 August 2020. On average, African LDCs and Haiti as a group had the lowest infection rate.

The health outcome of the pandemic in LDCs during the first eight months of 2020 contrasts with that of ODCs, 64 of which had a higher COVID-19 mortality rate than the LDC average, as well as developed countries, 50 of which had more deaths relative to the population than the LDC average. As of late August 2020, the COVID-19 mortality rate of LDCs corresponded to 13% of that of ODCs and

3% of that of developed countries.

The fact that the health impact of the pandemic on LDCs was less severe than initially feared (at least during the first eight months of 2020) has to be regarded with caution, said UNCTAD. It is possible that this picture is influenced by spurious factors.

First, it is likely that under-reporting of COVID-19 cases has occurred in some LDCs due to their lower COVID-19 testing capacities as well as less efficient casualty counting and reporting systems as compared with other country groups.

Second, there may be a timing issue: typically, LDCs were affected by the pandemic later than other countries, and it cannot be excluded that they will experience a broader spread of the pandemic in the final months of 2020 or later.

Nevertheless, the fact that LDCs were (at least initially) less impacted than other countries has been attributed to different reasons, including policy action and demographic factors, said UNCTAD.

As most LDCs were affected by the pandemic later than countries in East Asia and Western Europe, they had the time to adopt containment and mitigation measures, such as confinement, quarantine, social distancing and travel bans, which prevented the pandemic from spreading further.

LDCs with a pre-existing manufacturing capacity have been the most capable of formulating innovative local manufacturing solutions in response to the pandemic, said UNCTAD. Therefore, those LDCs which had a relatively broader industrial base were better prepared to confront the medical emergency and implement innovative solutions based on local conditions. This indicates that a link exists between the preparedness of countries to face an epidemic and the level of development of their productive capacities.

Furthermore, UNCTAD added, the proportion of young population – known to be more resilient in case of infection – in LDCs is much larger than in the most affected countries. Another demographic factor favouring a weaker impact in LDCs is lower population density, which reduces the likelihood of contagion.

Economic shock

However, said UNCTAD, even if the pandemic does not spread in the LDCs to the same extent as in other countries, they are nonetheless being severely hit by its economic, social and environmental consequences.

In 2020, LDC economies suffered the strongest economic shock in several decades due to the consequences of the pandemic. This, in turn, has led to a sharp economic downturn due to the combined effects of a deep world economic recession and the consequences of the domestic containment measures taken by the LDC governments. Worse still, these consequences are likely to linger in the medium term, said UNCTAD.

"The severe economic impact on LDCs is explained by their structural economic shortcomings and by their not having fully recovered from the shock of the 2008-2009 global financial crisis." Since then, the economic performance of LDCs has been adversely affected by the "new normal" of sluggish growth in the global economy, persistently low international commodity prices, growing trade and current account deficits leading to rising external debt, and an exhaustion of the fiscal space available before the outbreak of the global financial crisis.

"Therefore, LDC economies started the current economic slump from a situation of heightened economic vulnerability," said UNCTAD.

The economic situation of LDCs was clearly different when the global financial crisis of 2008-09 broke out as they had weathered the international turbulence relatively better than initially expected. They were able to do so thanks to a combination of some degree of isolation from major international financial flows and the availability of policy space accumulated during the years of strong economic growth of the early 2000s.

The adverse economic impact of the present COVID-19 crisis has severely affected the process of growth and development of LDCs, including a setback or reversal in their progress towards reaching their development goals. It is also likely to delay or extend the graduation process of several LDCs that had been scheduled to graduate from LDC status as of December 2020.

The measures adopted by most LDCs, e.g., lockdown, movement restriction and travel ban measures, caused a sharp downturn in economic activity and created a shock in both demand and supply, similarly to what also occurred in other economies, said UNCTAD.

It noted that between October 2019 and October 2020, the economic growth forecast for LDCs was revised sharply downwards from 5% to -0.4%. This revision is expected to lead to a 2.6% reduction in per capita income in LDCs in 2020, with 43 out of 47 LDCs experiencing a fall in their average income levels.

"This represents the worst economic outcome in 30 years for this group of countries. It has not only led to a reversal in the economic and social progress achieved over recent years, including in terms of poverty and social outcomes, but also makes reaching the Sustainable Development Goals a more distant prospect," said UNCTAD.

A protracted recession could cause permanent job destruction, threaten enterprise survival – with related losses in terms of tacit knowledge and productive capabilities – and potentially have a long-term effect on potential output.

Avoiding this dramatic outcome will be particularly crucial in LDCs because of the structural characteristics of their forms of entrepreneurship, UNCTAD said. "With a plethora of mainly informal 'me-too businesses', a predominance of small firms, and limited access to credit for the private sector, a prolonged crisis would further damage the already weak entrepreneurial landscape of LDCs."

It said the restrictive measures adopted by LDCs caused a shrinking of economic activity especially in wholesale and retail trade (including in the informal sector), transport and manufacturing. Fiscal accounts were directly impacted by the slump in economic activities, which led to shrinking revenues at a time when expenditure had to expand due to rising health spending, personal and firms' income support schemes and other forms of expenditure deriving from the existing limited social protection schemes.

The latest deterioration of the fiscal situation comes on top of a trend of rising fiscal deficits in LDCs during the 2010s, said UNCTAD. The fiscal situation prevailing prior to the outbreak of the pandemic prevented LDCs from taking more decisive fiscal measures to prop up their economies in response to the COVID-19 shock. The median additional spending/forgone revenues implemented by LDCs amounted to just $17.8 per capita, less than one-fourth of the corresponding figure for ODCs ($76), and just 1% of the amount mobilized by developed countries ($1,365).

Likely stronger than the domestic demand shock was the impact of the world economic recession on the LDC economies. This is the deepest downturn the world is undergoing since the Great Depression of the 1930s, with per capita output contracting in the largest fraction of countries since 1870. The downturn also brought about a sharp shrinking in the external demand for LDC goods and services, depressed the prices of their main exports, and caused a slump in inflows of external resources (remittances, capital).

The most deeply affected export commodities of LDCs during the first half of 2020 were fuels, which accounted for over a fourth of the group's merchandise exports before the outbreak of the pandemic, said UNCTAD. It noted that fuel prices slumped by 36% in January-July 2020 compared with the corresponding period in 2019, while quantities exported also declined sharply following a worldwide shrinking of transport, travel and manufacturing-related activities.

In the context of this shrinking of world trade and plummeting LDC exports, it is unlikely that LDCs will meet their longstanding goal on trade, i.e., that of doubling their share of world exports of goods and services in 2020, said UNCTAD. This goal was expressed initially in the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (commonly referred to as the Istanbul Programme of Action) and later reaffirmed in the 2030 Agenda for Sustainable Development (2015). There had been no progress towards that goal before the present crisis, as the group's share of world exports had hovered around 1% since the objective of doubling the share was adopted.

Moreover, it is unlikely that demand for LDCs' main export products (e.g., garments, fuels, tourism) will pick up faster than other types of goods and services when world trade recovers from the COVID-19 slump, UNCTAD said. Rather, economic stimulus packages adopted in the major economies are expected to focus on products and sectors such as high-tech services, green energy and construction. Long-distance tourism is also not expected to recover quickly.

The widening trade deficit and contraction in remittances receipts in 2020 are expected to lead to a further expansion of the total current account deficit of LDCs as a group. It is forecast to deepen sharply from 3.8% of GDP in 2019 to 5.6% of GDP in 2020. This will be the highest collective current account deficit of the LDCs, and it will exacerbate the trend towards widening current account deficits since the global financial crisis of 2008-09.

"Widening current account deficits need to be financed by higher capital inflows and this will represent a major challenge for LDCs. This heightened financing need comes at a time when the major forms of capital inflows of LDCs are also shrinking," said UNCTAD.

The downturn has brought about a sharp shrinking in the external demand for LDC goods and services, depressed the prices of their main exports, and caused a slump in inflows of external resources.

The foremost type of capital inflow into LDCs as a group is official development assistance (ODA), as LDCs are the most aid-dependent economies in the world. It could therefore be expected that ODA inflows rise in order to cover the rising external financing needs of LDCs. However, this heightened need for ODA arises in a context in which the volume of the flows disbursed to LDCs has been roughly stagnating since 2013.

Donor countries are far from respecting their longstanding commitment to deliver ODA to LDCs at the height of 0.15-0.20% of donor-country gross national income (GNI). Moreover, this heightened need for additional ODA comes at a time when the national budgets of donor countries are themselves under pressure due to sharply higher fiscal deficits.

If donor countries were to maintain their ODA as a share of their own GNI constant, total ODA to developing countries (including LDCs) could decline by as much as 10% in 2020 as compared with 2019. On the other side, the resources required for donor countries to honour their aid commitments are but a fraction of the value of stimulus packages they adopted in response to the COVID-19 crisis.

Increase in poverty

According to UNCTAD, historically, the incidence of extreme poverty in the LDCs had remained stubbornly high even prior to the coronavirus pandemic, and the pace of poverty reduction, which was moderately encouraging in the early and mid-2000s, slowed down markedly in the aftermath of the global financial and economic crisis. As a result, the share of people living in extreme poverty has virtually stalled at about 35% of the population for most of the past decade.

Due to the combined effect of persistently widespread poverty and rapid demographic growth, this implies that the number of LDC inhabitants living in extreme poverty had been rising prior to the pandemic, and the LDCs were already accounting for a rising proportion of the world's extreme poor.

In assessing the immediate impact of the pandemic on poverty rates in the LDCs for the year 2020, UNCTAD said the estimates reveal that the downward growth revision in the wake of the coronavirus outbreak will lead to a three-percentage-point increase – from 32.2% to 35.2% - in the headcount ratio against the $1.90-per-day poverty line. This is equivalent to a rise of over 32 million people living in extreme poverty in the LDCs.

When measured against the $3.20-per-day poverty line, the incidence of poverty will rise by 3.6 percentage points (corresponding to 38 million additional poor), while the impact is smaller when assessed against the $5.50-per-day poverty line, as the overwhelming majority of the population in LDCs fell below this threshold even before the pandemic.

Building resilience

The LDCs have so far been spared from the most severe health impacts of the pandemic, but they have nonetheless been among the worst hit by the economic and social consequences of this multi-dimensional crisis, said UNCTAD. This apparent contradiction stems from the acute vulnerability of LDC economies and societies to shocks that are out of their control. The pandemic outbreak has exacerbated pre-existing LDC vulnerabilities.

The limited capacity of LDC policymakers to react to the shocks originating abroad, regardless of whether they are related to health, the economy or the environment, dramatically highlights the low level of resilience of LDC economies.

According to UNCTAD, the adverse health, economic and social impacts of the COVID-19 crisis currently faced by the LDCs and their longstanding development deficits call for urgent policy action by policymakers of these countries and their development partners.

The major economic priorities of LDCs fall into two time horizons. In the short term, these countries need to do "whatever it takes" to counter the present recession, support the incomes of their citizens, firms and farms, and buttress the activity level of their economy. Any short-term measures to be taken should have the medium-to-long-term economic outlook for LDC economies in sight and be coherent with the development policies implemented for longer time horizons.

"This entails addressing the enduring structural challenges of LDC economies, including their vulnerabilities, which can be overcome or compensated by building resilience," UNCTAD said. It noted that in developed or mature economies, resilience is the result of prudent macroeconomic policies. In the case of developing countries, resilience can only be built over the medium to long term, and is the result of a successful development process which enables economies to overcome the major structural features of under-development, such as concentration of output and exports, over-dependence on imports of critical goods and services, chronic current account deficits, etc.

Building resilience in the LDCs therefore entails tackling the underlying structural causes of their vulnerability, under-development and ingrained poverty, said UNCTAD. These longstanding development challenges of LDCs predate the COVID-19 crisis. While the economic, social and political contexts which give rise to extreme forms of vulnerability and poverty are complex, these phenomena have a common underlying factor: the low level of development of their productive capacities.

The expansion, upgrading and utilization of productive capacities results in overcoming the structural features leading to vulnerabilities, said UNCTAD. In fact, the reduction in the level of vulnerability achieved by some LDC economies since the beginning of the century is largely explained by the progress these countries have achieved in developing their productive capacities and thereby achieving structural transformation.

Nevertheless, there is a serious risk of a widening gap between the LDCs and other developing and developed countries. Such a divergence might be further accentuated in the future, considering that, broadly speaking, the best-performing LDCs are those in the process of graduation or close to that milestone. Once this process is achieved, the LDC category will be composed of the most vulnerable countries.

However, UNCTAD stressed that an analysis of the Economic and Environmental Vulnerability Index (EVI) suggests that even graduating LDCs or recent graduates remain exceedingly vulnerable to exogenous shocks. Lacking a sustained process of structural transformation of these economies, vulnerability factors, e.g., export concentration, limited domestic value addition, and dependence on sensitive imports and foreign financial resources, will likely linger on, making them more liable to fall prey to the so-called middle-income trap.

Special attention to LDCs

"As the world scrambles to cope with the fallout from COVID-19 and the ensuing global recession, there is an understandable temptation to prioritize in the policy discourse either domestic concerns or issues that are relevant to the global economic, social and political system as a whole," said UNCTAD. This entails a concrete risk that LDC-specific issues will be largely treated by the international community as a second-order priority.

However, said UNCTAD, rather than face such an outcome, the LDCs need to receive special attention from the international community when addressing both their short-term priorities and their medium-to-long-term challenges. This is not only because of the severity of the current crises and their continuing vulnerability but also because these developments come at a time when LDCs and their development partners are discussing a plan of action to guide domestic and international policymaking for LDCs in the decade 2021-30, to follow the Istanbul Programme of Action and expected to be adopted during the Fifth United Nations Conference on the Least Developed Countries (UNLDC-V), scheduled to take place in Doha, Qatar in January 2022.

Both the international community and LDCs themselves are advised to concentrate their future actions and policies for LDCs on the expansion, strengthening and utilization of productive capacities in these countries, particularly as their deficit is at the root of their vulnerability. "This response will bring about the structural transformation of the LDC economies, which they will need to achieve if they are to reach their development goals."

Against this background, it is all the more vital to highlight the continued relevance of the LDC category, not only during the "Great Lockdown" and its immediate aftermath but, equally importantly, over the course of the decade, which will witness the overlap between the remaining horizon of the Agenda 2030 for Sustainable Development and the next Programme of Action for LDCs, said UNCTAD.

In this respect, the reasons for reiterating that the LDCs are "the battleground on which the 2030 Agenda for Sustainable Development will be won or lost" go beyond the moral commitment to "leave no one behind", and reflect long-term considerations related to the notions of global public goods and the potential for positive and negative spillovers across nations in an increasingly interconnected world, UNCTAD said.

Regardless of their small economic weight, part of the relevance of the LDC category stems from the fact that these 47 countries account for a significant and rising share of the world population. It is estimated that 1.06 billion people currently live in LDCs, and that the population of these countries will expand to 1.31 billion by 2030, which will see them hosting 15% of humanity. Nor are foreseeable cases of graduation from the LDC category likely to radically alter this picture.

Moreover, as demographic transition continues to progress at a sluggish pace, the population structure in the LDCs continues to be characterized by a high proportion of younger age cohorts – a trend which is expected to continue in the new decade. As of 2020, 39% of the population of LDCs was less than 15 years old, while the dependency ratio is forecast to decline from the current 74% to 67% in 2030. In a global perspective, this implies that LDCs currently account for 20% of the world's youth, and their weight is set to increase by four percentage points by 2030.

These long-term tendencies have wide-ranging implications in terms of potential market size and dynamism, and challenges in labour markets, education and health, but also with respect to prospects for urbanization, migration and potential socioeconomic tensions.

According to UNCTAD, all these add further emphasis to the importance of fostering a sustainable and broad-based recovery in the LDCs – a recovery underpinned by the development of their productive capacities and the resulting structural transformation of their economy, as well as the generation of sufficient employment opportunities to accommodate the growing number of new entrants into labour markets.

As preparations for UNLDC-V accelerate, LDCs have come to represent the main locus of extreme poverty worldwide. With barely 14% of the world population, they are estimated to account for over 50% of the people living with less than $1.90 per day at a global level, and about 34% of those with less than $3.20 per day.

Evidence of this nature points to the ongoing geographic polarization of poverty and speaks volumes of the sheer magnitude of global inequalities, said UNCTAD. "It also vindicates the argument that the LDCs represent the litmus test for the 2030 Agenda for Sustainable Development, especially in relation to the promises to 'leave no one behind', reducing global inequalities and eradicating extreme poverty." *(SUNS9247)*

Will the new fiscal crises improve international tax cooperation?

With developing countries continuing to fall victim to illicit capital flight and developed countries now also under fiscal strain, multilateral cooperation on taxation has become all the more urgent.

by Anis Chowdhury and Jomo Kwame Sundaram

COVID-19 recessions have hit most countries, requiring massive fiscal responses. While most developing countries struggled with mounting debt even before the pandemic, many developed countries also face unprecedented macroeconomic pressures despite earlier spending cuts due to "fiscal consolidation" policies.

Before the third United Nations Financing for Development Conference (FfD3) in Addis Ababa in mid-2015, Organization for Economic Cooperation and Development (OECD) head Angel Gurria acknowledged, "Much of [the tax not collected] is lost abroad in illicit flows. Developing countries also lose tax revenue from aggressive tax planning by multinational corporations. This cannot go on."

Earlier, then OECD Development Assistance Committee (DAC) chair Erik Solheim foresaw an end to official development assistance (ODA): "Nothing would please me more than seeing the end of ODA, and for development to be financed through taxes, normal trade relations, long-term investments and sustainable businesses."

Solheim also observed: "Developing nations need to be in control of their own revenues and economic resources through sound taxation ... The fight against corruption and tax havens is crucial in this context ... The amount of money leaving developing countries in the form of illicit financial flows each year is many times greater than the amount of aid coming in."

However, before and at FfD3, developed economies ganged up to block developing-country efforts to enhance international cooperation to stem such illicit outflows, especially tax evasion.

Losing resources

The UN-initiated Financial Accountability, Transparency & Integrity (FACTI) interim report has made staggering estimates of lost resources that could contribute to development:

- 10% of world output held in offshore financial assets;
- criminal money laundering worth 2.7% of global output;
- $7 trillion of private wealth hidden in mainly secret tax havens;
- $500-600 billion yearly in lost global corporate tax revenue due to "profit-shifting" by transnational corporations (TNCs);
- $20-40 billion yearly in bribes in developing and transition economies.

According to Global Financial Integrity (GFI), developing countries have lost $13.4 trillion in unrecorded capital flight since 1980, via trade mis-invoicing and tax evasion, primarily by TNCs and "high worth" individuals, with $1.1 trillion lost in 2013 alone.

TNCs also steal money from developing countries through "same-invoice faking", i.e., by shifting profits among subsidiaries by false trade invoicing.

The GFI figure of illicit fund transfers does not include same-invoice faking, but estimates losses of $700 billion yearly from goods trade alone. If trade in services is included, net resource outflows total about $3 trillion yearly, 24 times more than OECD countries' aid in 2014. In other words, developing countries lost $24 for every $1 of aid received in 2014, depriving them of much-needed finance and government revenue for development.

Estimates of trade mis-invoicing in Africa during 2000-16 averaged $83 billion annually, totalling $1.4 trillion, i.e., about 5.3% of Africa's output value, worth about 11.4% of its trade in that period.

Such illicit outflows are greatest for Asia. Outflows grew by an average of over 9% yearly during 2004-14, reaching around $330 [272-388] billion in 2014. The equivalent of 7.6% of tax revenue in the Asia-Pacific region may have been lost to fraudulent trade declarations in 2016 alone.

OECD framework not inclusive

Tax avoidance by TNCs frequently involves tax base erosion and profit shifting (BEPS), enabled by loopholes in tax governance and the law.

In 2013, leaders of the G20 major economies endorsed the OECD BEPS action plan, requesting it to recommend international standards and measures to tackle corporate income tax (CIT) avoidance. CIT evasion cost $100-240 billion annually, i.e., 4-10% of global CIT revenue.

In response, the OECD initiated the Inclusive Framework on BEPS and the Global Forum on Transparency and Exchange of Information for Tax Purposes. Developing countries are invited to participate, on condition they commit to implementing and enforcing standards and norms they did not design or decide on, having been excluded from negotiations.

Thus, the claim of developing-country "inclusion" in the OECD BEPS framework is misleading, to say the least. Besides illegitimacy and other problems of exclusion, the proposals may also be inappropriate for developing countries. As the FACTI report observes, "Lack of inclusiveness in setting international norms results in implementation gaps and weakens the global fight against illegal and harmful tax practices."

Digitalization challenge

Rapid digitalization presents new challenges, as TNC assets and profits can be easily moved among tax jurisdictions. Ensuring accurate company reporting on actual revenue and profits from each location is necessary for fairer taxation, but the status quo enables evasion instead.

Digitalization threatens revenue collection as taxation practices try to catch up with innovations in tax evasion. Recent, more "technology-driven" businesses – increasingly involving "hard to value" intangible assets such as patents and software – also require improving international corporate taxation.

Traditional assumptions about links between income, profits and physical presence now seem irrelevant, requiring new approaches, principles and norms.

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For example, countries with many users or consumers of digital services currently get little or no tax revenue from companies denying any physical presence.

New international corporate taxation in this age of digitalization should benefit all, both developing and developed countries. With marginal costs close to zero, all revenue can be taxed without adversely affecting digital services supply.

Current tax systems cannot prevent egregious tax avoidance by digital TNCs. For some time, the OECD has been discussing tax avoidance by digital TNCs within the BEPS framework without reaching consensus, mainly due to US opposition.

"With no consensus on taxation of the digital economy, some countries have resorted to unilateral measures," noted the UN Committee of Experts on International Cooperation in Tax Matters. But such actions have provoked retaliation, e.g., the US threatened new tariffs on French exports following France's attempt to tax tech giants.

Systemic challenges, cooperative solutions

Poor financial accountability, transparency and integrity – enabling illicit financial flows – is a global problem. As the FACTI report emphasized, the problem needs global solutions, while taking country circumstances into account. It noted that "all aspects of this problem require action and ownership in developed and developing countries; in source, transit, and destination countries; in public and private sectors; and in small and large countries alike ... there are no silver bullets or single measures".

Governments around the world face severe fiscal pressures responding to COVID-19 economic crises with adequate relief and recovery measures as revenue collection shrinks. As other donor countries emulate the recent UK foreign aid budget cuts, aid-reliant developing countries will face more financing challenges. As the OECD noted, domestic and external financing levels and trends already fell short of SDG spending needs well before the COVID-19 crises.

External private financial inflows to developing economies could drop by $700 billion in 2020 compared with 2019, 60% worse than the 2008 global financial crisis impact.

Hence, tackling resource haemorrhage from developing countries has become all the more urgent as even developed countries scramble for more fiscal means.

This could finally catalyze long-needed cooperation on international tax matters led by the UN, still the most inclusive and legitimate platform for multilateral cooperation. *(IPS)*

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World Bank urges governments to guarantee private profits

Promoted by the World Bank as a means of funding infrastructure investments, public-private partnerships tend to shift risks to governments while leaving profits in private hands.

by Jomo Kwame Sundaram and Anis Chowdhury

The World Bank has been leading other multilateral development banks (MDBs) and international financial institutions to press developing-country governments to "de-risk" infrastructure and other private, especially foreign investments.

They promote public-private partnerships (PPPs) supposedly to mobilize more private finance to achieve the Sustainable Development Goals. PPP advocacy has been stepped up after developing countries' pleas for better international tax cooperation were blocked at the third United Nations Financing for Development conference (FfD3) in Addis Ababa in 2015.

Official support for infrastructure PPPs seems stronger than ever. The World Bank's Global Infrastructure Facility (GIF) was set up to coordinate MDBs, private investors and governments promoting PPPs. Meanwhile, the G20 grouping of leading economies has been trying to modify the mandates of national and international development banks to enable them to initiate infrastructure PPPs with the private sector.

De-risking?

The World Bank's latest Guidance on PPP Contractual Provisions measures progress in terms of "successfully procured PPP transactions". The Bank explicitly recommends "de-risking" PPPs, effectively involving "socializing" risks and privatizing profits.

But the term "de-risking" is misleading as some risk is inherent in all project investments. After all, projects may encounter problems due to planning mistakes, poor implementation or unexpected developments. Hence, Bank advice does not really seek to reduce, let alone eliminate risk, but simply to make governments bear and absorb it.

Thus, "de-risking" really means shifting risk from private investors to governments for more contingencies, including design, planning or implementation failures by private partners. This ignores the Bank's Growth Commission's concern that "In too many cases, the division of labour has put profits in private hands, and risks in the public lap."

Off the books, out of sight

Both World Bank and International Monetary Fund (IMF) research has found many governments using PPPs and other similar arrangements to keep such projects "off the books" of official central government accounts, effectively reducing transparency and accountability, while compromising governance.

Such project financing typically involves government-guaranteed – rather than direct government – liabilities. Not booked as government development or capital expenditure, it is also not counted as part of sovereign or government debt, e.g., for parliamentary reporting and accountability.

Instead, project costs are supposed to be paid for, over time, by direct user fees or government operational or current expenditure. Hence, most governments do not extend their normal accountability procedures to cover such expenditure and related debt.

The IMF has even warned of likely abuse of such seemingly "easy" or "free" money, emphasizing the dangers of taking more government debt and risk "off the books". This is very significant as the IMF rarely criticizes World Bank recommendations and advice, even indirectly.

PPP financing is typically booked as government-guaranteed liabilities rather than as sovereign debt per se. Governments face fewer constraints to taking on ever more of this "off the books" debt and risk. With such commitments, they also become much more vulnerable to "unforeseen" costs.

Such contractual arrangements, typically set by private partners in most PPPs, do little to improve governance and accountability. To be sure, normal government budgetary accounting and audit procedures for PPPs may not meaningfully improve transparency and accountability. As such financing arrangements are typically long-term, related government risks are correspondingly long-term, lasting decades in many cases. This tempts "short-termist" governments "of the day" to make long-term commitments they are unlikely to be held personally accountable for in the near to medium term.

Moral hazard

World Bank guidance is clear that even a private partner who fails to deliver as contracted must be compensated for work done before a government can terminate a contract. Whether private partners actually deliver as promised does not seem to matter to the Bank, which provides no guidance for addressing their failures to meet contractual obligations.

The Bank thus contributes to "moral hazard" in PPPs: the less likely the private partner stands to lose from poor performance, the less incentive it has to meet contractual obligations. Guaranteeing cost recovery, revenue and profit erodes the motive to deliver as promised and to consider project risks.

Many governments can undertake large infrastructure projects themselves or, alternatively, make much better procurement arrangements.

Enthusiastic PPP promotion – by the Bank, other MDBs and donors urging developing-country governments to bear more risk – is not only encouraging "moral hazard", but also creating more opportunities for the corruption and abuse they profess to lament.

Instead, private partners have greater incentives to try gouging rents from government partners, e.g., by renegotiating existing contracts to their advantage. Conversely, governments have to choose between bearing the costs of failed projects, and paying even more to save problematic ones in the hope of cutting losses. Faced with such choices, governments have little choice but to accede to their private partners' demands.

World Bank guidance has thus further undermined governments in their dealings with private partners, who are now better able to demand improved contractual conditions for themselves at the expense of their government partners.

Ignoring evidence

Many governments can undertake large infrastructure projects themselves or, alternatively, make much better procurement arrangements. IMF research has also found, "In many countries, PPPs have not always performed better than public procurement."

Ironically, World Bank research has shown that "well-run public firms tend to match the performance of private firms in regulated sectors", concluding, "There is no 'killer' rationale for public-private partnerships."

Even the Bank's *Research Observer* has published a summary of "some of the most compelling examples of this kind of emerging critique" of infrastructure PPPs in telecoms, transport, water and sanitation, waste management and electricity.

Yet, the Bank continues to promote PPPs as the preferred mode of infrastructure financing, trying to shift more risk to governments, ostensibly to attract more private investment. Meanwhile, Bank guidance typically fails to warn governments of the risks involved and their implications.

Bank and other PPP advocates dismiss criticisms as "ideological" despite growing empirical evidence. Such damning findings have had little impact on their PPP advocacy.

Instead, the new fad is for more "blended finance" to PPPs, using official concessional finance to subsidize and attract more private investment. However, as *The Economist* has found, "blended finance has struggled to grow" as MDBs mobilize less than $1 of private capital for every public dollar. It concluded that "early hopes may simply have been too starry-eyed. A trillion-dollar market seems well out of reach. Even making it to the hundreds of billions a year may be a stretch".

Unsurprisingly, despite Bank, donor and other efforts, PPPs have only generated 15-20% of developing countries' infrastructure investments, according to the Bank's Independent Evaluation Group, while remaining negligible in the poorest countries. *(IPS)*

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The great land divide

Inequality in ownership and control of land is often central to other forms of inequality and, according to new research findings presented in this article, is even more pronounced than previously estimated.

Why land inequality matters

Land is important not only for the people who directly depend on it, but for us all. It provides essential common goods like biodiversity, water and other natural resources. As such, just and equitable access to and use of land contribute to a stable climate, food security, gender justice, and more peaceful and equal societies for the benefit of present and future generations.

In the second half of the 20th century, a prevailing view was that inequality created incentives for progress, especially in the early stages of economic development, and that market economies would self-correct over time. Today, it is clear that inequality is detrimental to the stability and development of sustainable economic systems and that it undermines the health of democracies. Land inequality is no exception. Land inequality, along with other forms of inequality, leads to the concentration of political power, driving further wealth accumulation and jeopardizing equitable and inclusive socioeconomic development.

Land inequality sits at the heart of other forms of inequality. It is fundamentally related and often central to broader inequalities, such as wealth inequality, political inequality, social inequality, gender inequality, environmental inequality and spatial inequality, in particular in agrarian societies.

Land inequality also underlies contemporary global crises and trends, as reflected in the Sustainable Development Goals (SDGs). It can worsen democratic decline (SDG 16), climate and environmental crises (SDGs 13, 15), the risk of pandemic diseases (SDGs 3, 6), mass migration (SDG 10), unemployment (SDG 8) and intergenerational injustice (SDG 16). Land inequality affects well-being, livelihoods and opportunities for all of us, and it further jeopardizes the stewardship role that equitable land distribution can play with regard to these broader global trends and crises. Furthermore, land inequality is core to almost every SDG.

The (shocking) state of land inequality in the world

Measuring land inequality is not easy. The literature on land distribution has long relied on estimates of Gini coefficients for land distribution, using agricultural censuses that provide data on the number of land holdings and the total area of holdings by size. These estimates face various challenges – some are related to the data used, others to the methodology applied (see box). Despite these challenges, the use of the Gini coefficient, as traditionally presented in the literature, remains justified as it is the longest-used methodology, based on census data which are available in most countries at a particular time, allowing for a long-term perspective of land inequality across countries. These data are now complemented by innovative methodologies aiming at better grasping the multi-dimensional nature of land inequality (see box).

Challenges with the traditional use of the Gini coefficient to measure land inequality – towards new methodologies

Challenges include:

- Land distribution calculated using agricultural census data captures the distribution of the size of farms rather than land ownership. Agricultural censuses do not necessarily account for multiple land holdings per owner and fail to capture the full extent of land concentration.
- The present Gini coefficient is generally uni-dimensional, not taking into consideration the multi-dimensional complexities of land inequality.
- Other aspects related to land (quality of land, presence of assets, other resources such as water, proximity to infrastructure and markets, etc.) are not measured in agriculture censuses.
- Agricultural censuses generally do not distinguish between different forms of legal ownership, nor do they include corporate ownership or shareholding structures.
- Census data focus only on agricultural and landed households and do not account for landless households; thus they do not portray actual levels of inequality.
- The Gini coefficient is a synthetic measure of inequality that summarizes the entire distribution into a single number, and it is thus less informative about where the important changes in distribution take place.
- The coverage, methodologies and thresholds for agricultural censuses are not uniform between countries or over time, especially in developing countries; despite efforts to bring uniformity, this reduces their comparability.

Towards new measures of land inequality

In response to these challenges, new methodologies for measuring land inequality were developed as part of the Land

Inequality Initiative, which was launched in 2019 by a broad consortium coordinated by the International Land Coalition (ILC). In a paper commissioned under this Initiative, Vargas and Luiselli (2020) endeavour to integrate the multi-dimensional nature of land inequality by combining – besides the standard quantitative size of land plots indicator – tenure, quality of land, endowment, assets and other indicators. To do this, they suggest using various additional data sources.

A second approach by Bauluz et al. (2020), based on survey data, assesses land inequality based on land owned by a household (beyond distribution of the size of farms, factoring in multiple ownership of plots) and land values (as a criterion of quality of land), and also accounts for the landless. The authors implemented this methodology using a sample of countries: India, Bangladesh, Pakistan, China, Vietnam, Ecuador, Guatemala, Brazil, Mexico, Peru, Burkina Faso, Ethiopia, The Gambia, Malawi, Niger, Nigeria and Tanzania. The selection of countries was a result of data availability and, although some of the most populous countries were covered in this analysis, more countries need to be covered in future research to obtain a more complete picture. Nevertheless, the results represent an important attempt at innovating assessments of and deepening perspectives on land inequality.

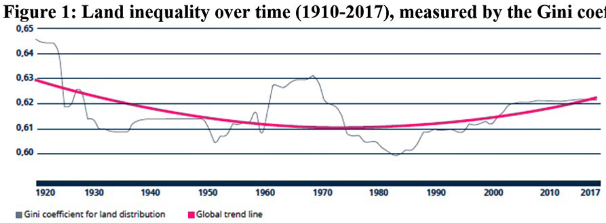
Sources:

Bauluz, L., Govind, Y. and Novokmet, F. (2020). Global land inequality. Rome: ILC, Land Inequality Initiative.

Vargas, D. and Luiselli, C. (2020). Methodological considerations on land inequality. Rome: ILC, Land Inequality Initiative.

Available data, despite their limitations, do permit us to look back at land inequality trends over the past 100 years.

Figure 1: Land inequality over time (1910-2017), measured by the Gini coefficient



Source: The authors, based on various data sources.

Methodological note: Calculation of the Gini coefficient for land, capturing the distribution of the size of land holding (farm or plots), in private ownership. Data are gathered from all sources available, implementing the same Gini coefficient methodology.

Figure 1 shows that land inequality steadily decreased from the early 20th century up until the 1980s. At that point, the trend reversed, and land inequality has since been increasing steadily. From a Gini coefficient of 0.64 in the early years of the century, land inequality decreased to 0.60 in 1982, but had increased again to 0.62 by 2017.

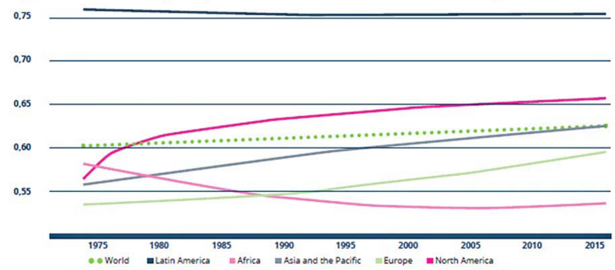
Today, it is estimated that there are approximately 608 million farms in the world. About 90% are family farms, which include all sizes of farm from the smallest to some of the largest, occupying 70-80% of all farmland.

About 84% of farms are smaller than two hectares, but these operate only about 12% of farmland, with little if any opportunity to be part of corporate supply chains.

Already, according to a UN Food and Agriculture Organization (FAO) working paper, "[t]he largest 1 percent of farms in the world operate more than 70 percent of the world's farmland"; these farms form the core of production for the corporate food system. Unless there is substantial policy intervention, given the trends in the agriculture and food systems, land consolidation will inevitably increase further.

Although land inequality patterns vary significantly from region to region, a consistent pattern of land consolidation emerges throughout (Figure 2). After 1980, in all regions, land concentration has either been increasing significantly (North America, Europe, Asia and the Pacific) or a decreasing trend is being reversed (Africa and Latin America).

Figure 2: Land inequality trend lines since 1975, measured by the Gini coefficient



Source: The authors, based on various data sources.

Methodological note: Same Gini methodology and data sources as in Figure 1, from 1975 onwards.
Trend lines are polynomial.

A clear trend in most low-income countries is an increasing number of farms, combined with smaller and smaller farm sizes. Across the world, and especially in higher-income countries, large farms are getting bigger.

The missing middle

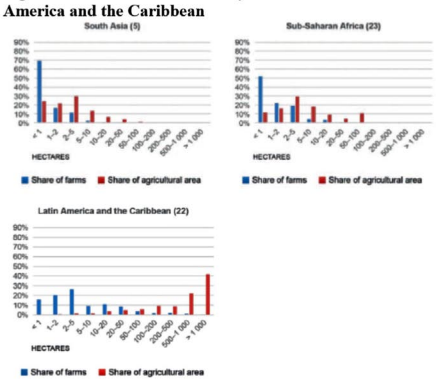
North America has seen a drastic increase in land and agricultural concentration. US data show a decline from 3.7 million farms to 2.1 million between 1960 and 1990, accompanied by a steady rise in average farm sizes, from 122.6 hectares to 187 hectares over the same period. From 1990 to 2010, the number of farms and average farm sizes remained fairly stable, at 2.1 million farms with an average size of around 175 hectares. While the total number of farms and their average size have stabilized, the number of farms larger than 500 hectares has risen from 1971 onwards, while the total number of the smallest farms, including those of less than five hectares, has also increased. Medium-size farms ranging from 50 to 500 hectares have significantly decreased in number. This is an increasingly polarized and unequal land distribution. An article by Hendrickson et al. argues that “the ‘agriculture of the middle’ is declining and perhaps facing extinction”.

What the figures on farm size do not reveal, however, are the even more substantial increases in the concentration of large-scale production on a shrinking number of farms. Almost 1 million farms (980,000) in the US have less than $5,000 in sales per annum, while the largest 7% of farms account for 80% of production value. This leaves a situation where some 1.3 million, or 60%, of the farms in the US produce only 6.6% of the total production value. These include farms of below five hectares, many of which are known as “retirement farms” or “off-farm occupation farms”, with owners who do not depend on agricultural production for their livelihoods.

A very similar trend is seen in the European Union (EU). The average farm size in the EU has almost doubled since the 1960s, from 12 hectares to 21 hectares by 2010. More significantly, the number of farms across the region that are larger than 100 hectares has increased steadily from 2005 to 2013, and fewer than 3% of farms now account for more than half of the farmed land. The Gini coefficient for the EU, which had been continuously decreasing from the beginning of the 20th century, has increased since 1980 by almost 10%, to reach an average of 0.58.

The vast majority of the smallest farms globally are in Africa and Asia, where they are essential to the livelihoods of a large proportion of the population. Most farms are smaller than two hectares, and there is a significant amount of land in farms of 2-10 hectares, while a very small proportion of land appears to be part of much larger farms (Figure 3).

Figure 3: Distribution of land by size class in Sub-Saharan Africa, South Asia, and Latin America and the Caribbean



Sources:

For Sub-Saharan Africa and South Asia: Lowder, S.K., Sánchez, M.V. and Bertini, R. (2019). Farms, family farms, farmland distribution and farm labour: What do we know today?. FAO Agricultural Development Economics Working Paper 19-08. Rome: Food and Agriculture Organization of the United Nations.

For Latin America and the Caribbean: Lowder, S.K., Skoet, J. and Raney, T. (2016). The number, size, and distribution of farms, smallholder farms, and family farms worldwide. *World Development*, 87, 16-29.

These low, and in Africa’s case even decreasing, levels of inequality have given way to new trends since the 1980s. Africa’s Gini coefficient for land has stabilized at 0.54, resulting from a combination of fragmentation due to population increase at the lower levels with an increasing interest in farmland by domestic elites and national and international corporate actors. Asia, on the other hand, has seen its Gini coefficient rise significantly, from 0.56 in 1980 to 0.62 at present, an increase of 11%. In this case, it is related to consolidation within the framework of the Asian Green Revolution, the significant number of large-scale land acquisitions for agriculture and other sectors (mining, infrastructure, tourism), and a growing landless population.

Indeed, hidden behind shrinking average farm sizes in most low-income countries is the increasing number of mega-farms, each taking up thousands, even tens of thousands, of hectares. In Tanzania, for example, the 108 large-scale farm investments that have recently been implemented control more land than the smallest two million farm entities combined.

Numerous countries in Latin America and some other (often settler) countries, such as South Africa, where the unequal distribution of land formed the backbone of wealth and asset inequality during colonial times, are still characterized by extreme land inequalities. Agrarian reforms aimed at redistributing land have largely failed to rebalance inequalities. On the contrary, the economic model in these countries based on extractivism and agricultural exports, combined with liberal market economies, is leading to significant agricultural land expansion and land concentration.

The land sector is even more concentrated than we think

By assessing land inequality using survey data and factoring in multiple ownership of plots, land values and the landless, rather than the single measure used to produce the traditional Gini coefficient for land, it becomes clear that land inequality has been significantly underestimated to date.

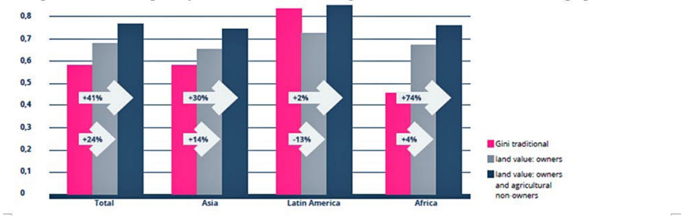
Overall, new research carried out for the Land Inequality Initiative has found that the wealthiest 10% of rural populations across the sampled countries capture 60% of agricultural land value, while the poorest 50% of rural populations, who are generally more dependent on agriculture, capture only 3% of land value.

Compared with the traditional census data and Gini coefficient generally used, this is an increase in inequality of 41% if agricultural land value and landlessness are considered, 24% if only value is considered (Figure 4).

These new estimates provide important new insights into international patterns of land inequality. Here, as well, regional differences are important. Although Latin America remains the most unequal region globally, land inequalities in Asia (+30%) and Africa (+74%) increase by proportionally more – leading to Gini coefficients of above 0.70 in all regions.

According to these benchmark metrics of agricultural land inequality (considering land value inequality and including the landless population) (Figures 5a and 5b), South Asia and Latin America exhibit the highest levels of inequality, with the top 10% of landowners capturing up to 75% of agricultural land and the bottom 50% owning less than 2%. The African countries display land ownership patterns that are relatively less unequal, while

Figure 4: Differences in levels of inequality when the traditional Gini coefficient is compared with inequality measures considering land values and the landless population



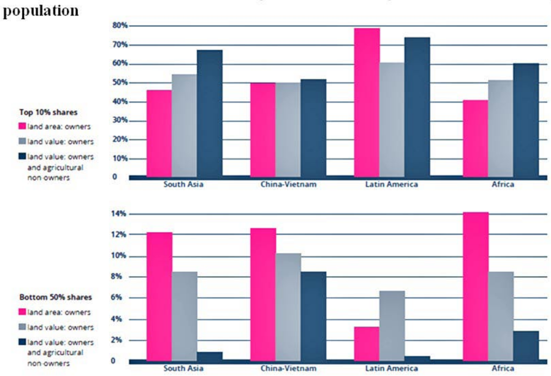
Source: Authors' calculations, based on data from Bauluz, L., Govind, Y. and Novokmet, F. (2020). Global land inequality. Rome: ILC, Land Inequality Initiative.

Methodological notes:

1) The pink bar represents the Gini coefficient for land as traditionally calculated, based on census data (using the latest data available), as explained in the previous section. The grey bar represents land inequality based on the methodology developed by Bauluz et al. (2020), based on survey data focusing on land owned by a household (factoring in multiple ownership of plots) and on land values (as a criterion of quality of land). The blue bar is similar to the grey one but also includes the landless population.

2) Full datasets (i.e., census data; value data and data on landlessness based on survey data) were only available for India, Bangladesh, Pakistan, China, Vietnam, Ecuador, Guatemala, Ethiopia, Malawi, Niger and Tanzania. For this reason, the following comparisons are based only on this reduced sample of countries.

Figures 5a (upper panel) and 5b (lower panel): The top 10% and the bottom 50% shares of land area and land value among the landowning class, and including the landless population



Source: Bauluz, L., Govind, Y. and Novokmet, F. (2020). Global land inequality. Rome: ILC, Land Inequality Initiative.

"Communist" Asia (China and Vietnam) is the world region with the lowest levels of inequality.

Asian countries that appeared to be moderately equal using traditional measures (such as India, Bangladesh and Pakistan) have among the highest levels of inequality when land values and the landless population are included. China and Vietnam, by contrast, display higher levels of land inequality by area among landowners than South Asia and Africa, but land concentration is only slightly higher when land values and landless households are considered. According to the benchmark inequality indicator, China and Vietnam appear to be the least unequal countries in our sample.

Latin America still displays the most unequal distribution of agricultural land. However, unlike in the other world regions, land inequality among landowners is substantially lower in value than in area, which is probably related to substantially less productive large holdings compared with medium- to low-sized holdings. This factor significantly reduces the difference between Latin America and other continents.

Finally, African countries occupy an intermediate position. Africa has the lowest levels of land area inequality among landowners, but this rises significantly when land values and the landless population are included.

These figures indicating increasing land inequality are worrying, but they are almost certainly still an understatement of the true level of inequality, as household surveys do not pick up company-owned farms. A look at the operations of corporate entities and investment funds reveals a number that are buying and controlling large amounts of land across different countries. This is a form of concentration of ownership that is currently completely missed by all surveys, and is very hard to quantify as not all investment funds are transparent about their investments.

Hidden forces in land inequality – control over land and production is driving up even more concentration in the land sector

Less visible forms of control over land create not only inequality in land holding itself but also inequality in the power over land and the appropriation of value from the land and activities on it.

First of all, a person or entity does not need to buy land in order to have control over it. For example, contract farming has been recognized as a potential route to accumulation, with the incorporation into (global) supply chains creating new dependencies and ending up perpetuating extractive models, aggravating patterns of inequality related to land. Second, there is increasing corporate concentration of ownership and control throughout the agri-food sector, which influences the way that land is used to benefit those corporate entities and their investors. Third, the growing role of financial markets and actors that treat land as an asset class can significantly change the way that land is controlled and used.

In the agri-food sector, corporate organization is linked to industrial modes of primary production, which seek economies and other advantages of scale. This has been closely observed for several decades in the US, with the rapid transformation of farming towards fewer large-scale industrial-style producers that are linked, through contracts or vertical integration, with processors who are required to meet uniform standards. In this context, levels of consolidation of ownership and control have reached further and accelerated more rapidly, through a combination of two processes: 1) concentration, i.e., the exercise of horizontal ownership and control of other companies that would otherwise be competitors in the industry (a broadening); and 2) vertical integration, or just integration, which is exercised by a company taking ownership or control of the firms it buys from or sells to (a deepening).

With these processes, as an article in the journal *Outlook on*

Agriculture observes, "farming is rapidly being transformed from a rural lifestyle to agribusiness with a supply chain mentality. The application of modern business principles and manufacturing approaches to agricultural production systems is commonly referred to as the industrialization of agriculture." These changes in agricultural production and land use go hand in hand with far-reaching integration to assure efficiency and effectiveness as well as control over value and supply chains.

The control over value chains gives these actors significant control over land, as well as over the distribution of the value of what is produced on the land, which in turn contributes indirectly to land inequality.

The potential control over land and food systems at global and local levels by certain corporations and investors goes far beyond the levels of inequality detected by agricultural census data and household surveys. One example of this kind of integration and concentration in the agri-food business is the US-Brazilian investment firm 3G Capital. While the owners of 3G are hardly household names, 3G and its founding partners are major shareholders of vast global brands covering production right up to retail, including Burger King, the Kraft Heinz Company, AB InBev (the biggest beer corporation in the world) and Lojas Americanas in Brazil – a large retail group that has recently got into the grocery business.

Parts of the world's farmland are now considered financial assets, with no known physical owner, subject to decision-making processes that may be external to the farm and the agricultural sector.

This concentration of control is compounded by increased interest in agricultural land from the financial sector. Parts of the world's farmland are now considered financial assets, with no known physical owner, subject to decision-making processes that may be external to the farm and the agricultural sector.

Agricultural production is not embedded in territory anymore but depends on financial processes and actors scattered all over the world, including the use of derivative values detached from their material base, which brings greater instability to agricultural markets and puts speculative pressures on real markets and product prices.

What this all comes down to is that we do not always know who owns what land. Shareholding structures and other financial constructs are mushrooming in land (and do not have to be declared in any country in the world, to our knowledge, thus remaining totally invisible), and the opacity which often surrounds the finances and activities of investment funds makes it impossible to assess the full extent of their impact on land concentration and inequality.

Estimations vary substantially: one paper estimates that 190 private equity firms are investing in agriculture and farmland around the world, whereas another speaks of 54 funds/companies that either are actively investing in funds to acquire and manage farmland or had already announced plans to raise capital to invest in the sector. Some 10-20% of the assets of the top US university endowment funds (Harvard Endowment Fund, for example, composed of 13,000 individual funds, distributed $1.9 billion in 2019) are allocated to natural resources and farmland.

The largest asset manager by value under management is the US firm BlackRock. At the end of 2010, it had $3.346 trillion under management, very close to the $3.4 trillion that was the gross domestic product (GDP) for 2009 of Germany, one of the top five economies in the world. By the end of 2019, the funds managed by BlackRock had more than doubled in size to an incredible $7.43 trillion, close to twice Germany's GDP of $4 trillion for that same year.

Some of this growth is coming from investments in the agri-food sector. BlackRock is now a major investor, as are some of the other largest asset management companies, in grocery retailing, with major holdings in supermarket groups including Walmart, Costco and Target. BlackRock and other asset managers also have big investments in the largest seed companies, such as Syngenta, DuPont, Dow, Bayer and Monsanto. BlackRock and Vanguard – the second biggest asset manager, with around $5 trillion under management – are among the largest shareholders in Tyson Foods, one of the largest livestock breeders in the world. BlackRock and Vanguard were also the two biggest shareholders in both Monsanto and Bayer, and played a key role in their merger.

With complex corporate and financial structures, cross-shareholdings and other interrelations, clear lines of responsibility for land use and management are becoming harder to discern, just as they are becoming more important. It is also difficult to hold investors accountable for their economic, social and environmental impacts when the primary investors are unknown or geographically and institutionally distant from the operations invested in. When corporate responsibility measures are applied (if at all), they often have a developmental or environmental aim, yet little is being done about the impacts that corporations and financial structures are having on growing land inequality and its consequences.

The above is extracted from Uneven Ground: Land Inequality at the Heart of Unequal Societies, *published in November 2020 by the International Land Coalition (ILC), a global alliance of civil society and intergovernmental organizations. The report presents research findings from the Land Inequality Initiative, a broad consortium coordinated by ILC, and is available in full (including references) at www.landcoalition.org/en/uneven-ground/*