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**Dossier**  
**on**  
**Globalisation and Debt**

**Justice, Peace and Creation team**

**World Council of Churches**

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*See also ECHOES magazine no. 15, 1999  
for more articles on the issue*

# Introduction

The Eighth General Assembly of the World Council of Churches in December 1998 at Harare called for future work on the challenge of globalisation and the debt issue as a new form of slavery. A **Jubilee Call to End the Stranglehold of Debt on Impoverished Peoples** and the **Recommendations on Globalisation** were two of the most important texts approved by the assembly.

The former WCC Unit III Justice, Peace, and Creation had already developed a focus on globalisation and debt in its work leading up to the Assembly. The new JPC Team built on this work and began to implement the recommendations of the Assembly without delay. This was only possible because of the strong support of ecumenical partners; the Jubilee South coalition, which has now become a new, vital and important voice; the network on Social Movements, Globalisation and Exclusion that was formed in two consultations in November 1997 at Leiden and in April 1998 at Malaga; and some church related donor agencies and member churches. The co-operation with the Lutheran World Federation (LWF) and the World Alliance of Reformed Churches (WARC) regarding work on the debt issue and globalisation was also important. A strategy meeting, jointly prepared by a number of those partners and hosted by the National Council of Churches in Denmark, took place in May 1999 at Copenhagen.

Analytical work by the JPC Team and the partners involved identified the following four processes as major challenges to the work on globalisation and debt:

- 1. The G8 meeting on June 18-20 at Cologne;** which will decide on scope and conditions for future debt relief. The anticipated results are unacceptable to the Jubilee South coalition as stated in the Lusaka Declaration, a document included in the dossier.
- 2. The Millennium Round of the World Trade Organisation,** including very important negotiations on agriculture and intellectual property rights. If the G7 succeed in placing new issues on the agenda of the WTO, like investment, competition policy and government procurement, then the Multilateral Agreement on Investment (MAI) that was defeated in the Organisation for Economic Co-operation and Development (OECD) will re-appear in the World Trade Organisation with a slightly different face. For further information on the MAI please look at the two dossiers on the MAI produced by former Unit III (JPC). The WTO agenda clearly competes with other Multilateral Agreements in the UN framework such as the environmental conventions in the follow-up process to the UN Conference on Trade, Environment and Development (UNCED) in 1992 at Rio de Janeiro. WTO agreements override all other trade and investment agreements signed between governments and can be re-enforced by sanctions.
- 3. The Comprehensive Development Framework by the World Bank** is nothing less than an ambitious attempt by the World Bank to co-ordinate and control almost all of the development aid with probable serious consequences for development agencies as well as churches and other ecumenical partners active in the field of development.
- 4. The new International Financial Architecture** promoted by the IMF. Confronted with the failures of its own policies, the IMF simply blames the countries that were the victims of

the financial crisis in 1998 and 1999 for not providing the necessary information. More “transparency” is the slogan of the IMF. Every effort is made to get the problem “under control”, but there is no sign that the IMF begins to question the neo-liberal ideology and its underlying assumptions. Information on this process is not included in this dossier. It needs further studies. Any information that goes beyond the material available on the website of the IMF and can be shared with the JPC Team of the WCC is most welcome.

Those four processes lead towards a new framework for global capitalism with the WTO and the trade related agenda at its center. They will also have a decisive influence on the review of the World Summit on Social Development (Copenhagen + 5) in June 2000 in Geneva and the UN General Assembly on the occasion of the Millennium next year in New York. Regarding the UN, it is probably important too not to overlook the slowly beginning negotiations on Financing Development in the UN, which will influence North-South relationships.

The JPC Team wants to share, with WCC member churches and other partners, this detailed information on three of the four processes mentioned above. A brief introduction at the beginning of each section gives an overview on the documents that follow.

Please do not hesitate to send your reactions and comments to

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# **Jubilee South on Foreign Debt**

*The Padare, at the WCC's Eighth General Assembly in December 1998 in Harare (Zimbabwe), provided an opportunity for networking between ecumenical partners and groups working on globalisation and debt. Both the Padare, and the "Jubilee Call to End the Stranglehold of Debt on Impoverished Peoples" by the Assembly, contributed to the development of the Jubilee South Coalition which now represents church-related Jubilee initiatives in the Global South.*

*The following documents are the results of very important meetings on the debt issue organised by WCC partners together with Jubilee 2000 coalitions and other groups in Central America (Tegucigalpa), Brazil (Rio de Janeiro) and Africa (Gauteng, South Africa and Lusaka, Zambia).*

*The declarations and statements represent the voices of the Global South, especially the Lusaka Declaration, which clearly states the goals and vision of the Jubilee South Coalition.*

*The WCC makes the texts available for member churches and ecumenical partners so that churches and Jubilee 2000 coalitions take them into consideration working for the cancellation of debts. For Jubilee South the positions of the G7/G8 at Cologne are not just insufficient but unacceptable. Groups in the North, who seem often to be speaking on behalf of people in impoverished countries, need to study these texts carefully.*

# **Tegucigalpa Declaration**

## **Latin American and Caribbean Jubilee 2000 Platform**

### ***Yes to Life, No to Debt***

The foreign debt of the so-called Third World, due to its exorbitant amount and rate of growth, and because of worsening conditions, now excludes four-fifths of the world's population from economic and social development. The debt is a direct reflection of the unjust international economic order, the result of the long history of slavery and exploitation to which our peoples have been subject.

In the mid 1970s, Latin America's foreign debt totaled \$60 billion. By 1980, it was \$204 billion, and by 1990, \$443 billion. It is estimated that the amount will reach nearly \$706 billion in 1999, requiring an annual debt service payment of \$123 billion. In payments to service the foreign debt alone, the region paid out \$739 billion between 1982 and 1996— more than the entire accumulated debt.\*

Under these circumstances, the foreign debt has been and continues to be unpayable, illegitimate, and immoral.

It is impossible to pay. There is no mathematical formula that can achieve it. Two full decades of unattainable financing plans drawn up for developing countries have demonstrated this with complete certainty.

The debt is illegitimate because, in large measure, it was contracted by dictatorships, governments not elected by the people, as well as by governments which were formally democratic, but corrupt. Most of the money was not used to benefit the people who are now being required to pay it back.

The debt is also illegitimate because it swelled as a result of interest rates and negotiating conditions imposed by creditor governments and banks, who persistently and outrageously denied debtor countries the right of association, while the creditor groups joined together in veritable creditor syndicates (Club of Paris, Management Committee), backed by the economic coercion of the International Monetary Fund and the World Bank. Their strategy was clear: you negotiate on your own; we negotiate as a bloc.

In addition, it is immoral to pay the debt because in order to do so, the governments of our countries would have to allocate an extremely high percentage of public spending, which mainly affects the delivery of social programs and the wages of working men and women, generates unemployment and seriously hurts the economy. There is already a huge social deficit in terms of people's health, education and nutrition. Governments today spend 60% less per capita than they did in 1970. Furthermore, attempting to increase exports will only lead to super-exploitation of our natural resources, which will increasingly damage the environmental balance of our countries and threaten the very survival of future generations.

The debt is also used as a justification to maintain neo-liberal policies, including structural adjustment programs, as institutional mechanisms to perpetuate dependence.

Bail-out programs by creditors, with the support of the International Monetary Fund and the World Bank, including the Highly Indebted Poor Countries initiative, have only served to ensure the continuity of mechanisms to keep countries deep in debt.

From the legal perspective, we stress the fact that international and national laws on debt generally fail to meet the objective of ensuring peaceful coexistence. These are legal measures which threaten the paramount objective of the law, work against the public interest, and jeopardise social peace: therefore, they have no legitimate *raison d'être*. Usury and the charging of interest on top of interest should be forbidden. The monopolistic practices of banks, international institutions and first world governments are illegal, as is the denial of the right of free association for debtor nations. Systematic and quasi-legal corruption, the flight of capital and “tax havens” are an integral part of the legal problems involved in foreign debt.

In the Bible, Jubilee (Lev. 25) calls for justice between creditors and debtors, as well as peace and harmony within human society, nature, and the universe, and the elimination of enslavement resulting from debt.

On the threshold of the new millennium, considering the unbearable situation in which our peoples live, and inspired by the Biblical teaching of Jubilee, we are launching the Latin American and Caribbean Jubilee 2000 Campaign, joining the international movement calling for the cancellation of the debt of impoverished nations of the world by the year 2000 (Note: the Spanish text of the Tegucigalpa Declaration uses the word “anulación” or annulment, in order to underscore a proactive position, as opposed to expecting a unilateral concession from the North that presupposes the legitimacy of the cancelled debt).

Demands of the Latin American and Caribbean Jubilee 2000 Campaign:

1. Cancel (annul), by the year 2000, the immoral and illegitimate debt of the countries of the third world in accordance with the following principles:

Transparency in the process, and inclusion of all stakeholders.

For future negotiations: limit the service on the foreign debt to a percentage not to exceed 3% of a country's budget, in consideration of the precedent of Peru in 1946 and Germany in 1953.

Comprehensiveness and co-ordination with all the stakeholders involved, in consideration of the Insolvency Law in countries such as the United States which regulates insolvency proceedings for municipalities.

The right to appeal by any debtor nation. Creditors and debtors will appoint an equal number of judges to an Arbitration Panel or Tribunal. Debtor nations will make such appointments on the basis of broad consultation with all sectors of society.

In certain cases, when the Arbitration Tribunal deems appropriate, a mechanism may be created to study possible partial cancellation of debt, taking into account the range of indebtedness, origin of the debt, and the level of poverty of the population.

2. In the process of canceling (annulling) the debt, consider the urgent need to ensure the right of Latin America, the Caribbean, Africa and Asia to develop, as well as compliance with all human rights of individuals and peoples, and an end to the current impunity.
3. Conduct a broad audit of the process of indebtedness of each nation, using local tribunals, with the participation of civil society organisations in order to ensure transparency and access to information for all citizens.
4. Ensure that resources freed up from the payment of foreign debt be used to repay the social and environmental debt to our peoples through plans and programs for human development, particularly the creation of decent jobs; strengthening of social policies on education, health and social security, as well as environmental protection; consideration of the impact of all policies on the most vulnerable groups, especially boys and girls, older women and men, women in general, and indigenous persons; and ensure the active participation of civil society in the design, implementation, follow-up and evaluation of the entire process.
5. Transform the current international economic and financial system to place it at the service of human beings, based on international relationships between nations and peoples predicated on justice, equity and solidarity. It is therefore necessary to strengthen the political agencies of the United Nations, restoring their function of policy development, a role which has been usurped by administrative agencies.
6. Completely reject the Multilateral Agreement on Investment for the absolute subordination of men and women, peoples and nations it would entail to markets and capital.

We call on Jubilee 2000 campaigns in creditor nations to embrace the demands expressed in this proposal. We appeal especially to campaigns in the North not to put forward resolutions or make any laws which would include specific figures, nor any which would provide less than what we are currently proposing.

We call on the peoples of Latin America, the Caribbean and the world to develop new power relations at all levels of society, to ensure the ongoing struggle against all forms of injustice, violence and discrimination.

We are strongly on the side of Peace with Dignity and Justice.

No to debt, Yes to Life.

Tegucigalpa, 27 January 1999

Latin American and Caribbean Jubilee 2000 Coalition

Members: Argentina, Bolivia, Brazil, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru Venezuela



# **Southern African Jubilee Debt Summit Gauteng Declaration**

## ***Freedom from Debt = Freedom from Domination***

On the eve of the new millennium, we are witnessing the rapid growth of Jubilee 2000 structures and debt coalitions across the region to tackle the existing problems we face and to move to a new millennium of hope and change.

The vast majority of the people of sub-Saharan Africa live in pervasive poverty. In Southern Africa tens of millions of people are hungry, homeless, jobless, formally uneducated and die from preventable diseases. Yet Southern Africa is not intrinsically poor. Indeed, it is a region rich in natural and human resources. Debt slavery, the same system of debt bondage that excludes four fifths of the world's population from economic and social development, is a central part of this nightmare.

Southern Africa is shackled by debt owed to the same forces which initiated, enforced, condoned and sustained slavery and colonialism. Today this debt is both a manifestation and an instrument of the unjust international economic order in which the North dominates the South and the elites in our countries are willing accomplices and beneficiaries. Countries in Southern Africa pay as much as 40% of its export earnings to service the debt. This outflow of resources in debt repayments along with profit remittances have led to the most wretched of human conditions.

Not only is the debt burden choking the life of Southern Africa's human potential, indebted nations have also been pressurised to agree to crippling conditionalities to get loans to repay the debt in a deepening spiral of indebtedness. The Structural Adjustment Programmes (SAPs) have caused increasing levels of unemployment, reduced government services, higher prices of food and other basic commodities and intensified poverty.

Through the imposition of export-led growth, financial and trade liberalisation, fiscal austerity, privatization and deregulation, our economies remain sources of cheap raw materials and pools of cheap labour for the interests of the industrialised North. Through SAPs our governments have become more accountable to the elite's of the North rather than to their own people. We have been denied the right to be active participants in the decision making process of our own development. In this sense we see how debt has come to be an instrument of control and domination.

The domination of the North over the South has led to conditions which have spawned wars and conflicts in our region that have further exacerbated the levels of poverty, human suffering, and debt bondage.

The legacy of apartheid compounds this situation. Southern Africa, as a region, suffers the effects of apartheid-caused debt. Apartheid-sponsored wars and economic destabilisation forced nations to borrow billions of dollars because of the international communities' failure to enforce the international law violated by apartheid.

Over two million people have been killed in Southern Africa in apartheid-related wars, millions more have been maimed and thousands of schools, clinics, bridges and roads have been destroyed. Today, Southern African nations are paying millions of dollars annually to service apartheid-caused debt to creditors who were in the main supporters of apartheid. The total cost of apartheid-caused destabilisation in Southern Africa is far greater than the actual apartheid-caused debts. The former estimated cost exceeds US\$115-billion while apartheid-caused debt is some \$27-billion.

Wars have now escalated to the point of forcing states of the region to borrow even more and thereby further deepen our dependence on militarised politics and economic management. Under these circumstances the debt of Southern Africa is illegitimate and immoral. Yet there is a debt which we do recognise – a moral debt. This is the debt that our governments, the governments of the G7/8, multilaterals and international commercial banks owe us for unbuilt and broken down schools, for women and girls who continue to bear the burden of poverty and for the jobs, homes, clean water and all the fundamental human rights we do not have.

We thus demand:

the unconditional, immediate and total cancellation of the debt  
the immediate termination of the conditions attached to all the internationally designed debt relief mechanisms to tying this to further economic adjustment and the scrapping of the HIPC initiative.

The only conditions we recognise are those that are developed by the popular and representative civil society organisations. We believe that the results of debt cancellation can only benefit our people if it is accompanied by deep-going processes of democratisation, the upholding of human rights - including workers rights - transparency, accountability and the provision of basic social services.

We reiterate the call for reparations in the 1993 Abuja Declaration embracing the totality of all the quantifiable and unquantifiable costs that have been incurred. Reparations must compensate for economic and social damage incurred by our people, to finance the rebuilding of our own infrastructure and society and to restore our dignity. We believe reparations are long overdue as our initiative to regain control over our destiny and to ensure that the African holocaust will never occur again.

We call for the building of a new democratic world order upon the eradication of the present order that continues to bond us to debt through the ties of free trade, exploitative and extractive movement of Transnational corporate investment, volatile and speculative hot money flows; all within an ideology concocted by a tiny minority based in the USA, the so called 'Washington Consensus'.

We see the gathering of Jubilee 2000 coalitions and other popular forces in Cologne in June as an important step in the march towards the realisation of the objectives of our unifying movements. We demand that the G7 and Bretton Woods Institutions do justice to us but are under no illusion that this will happen without an intensification of popular pressure. That is why we deem it necessary to galvanise our forces in building up momentum for a strong South-South coalition and our own agenda for total liberation at the South-South Summit.

We affirm the Accra, Rome and Tegucigalpa Declarations and the World Council of Churches Harare Statement on Debt and welcome the forthcoming Asia Pacific Jubilee summit as part of our South-South Jubilee process. We call on our Church and other civil society allies in the North to support our struggle and the process that has led to this and previous declarations. In so doing they would be transforming themselves, as we desire, into vehicles of genuine solidarity within a Jubilee 2000 global movement led by the South for a new world in the new millennium.

On our part we shall continue to build Jubilee 2000 coalitions that will empower the broad masses of people to respond effectively to all the challenges posed by the debt crisis and the Jubilee clarion for a new millennium. We mean in this regard people-to-people campaigning to build our own power, capacity and “globalisation of solidarity” networking in order to ensure the achievement of our goals. We are building our campaign in such a way that will secure debt cancellation by all possible means, including exerting pressure upon all those concerned or by the collective mass action of unified South debt repudiation if necessary.

We are calling upon everybody to act accordingly and thus contribute towards realising the above objectives. Most importantly, let us boost each other’s confidence in our collective ability to achieve these goals through principled unity, South-to South, and South-to-North. Finally, we commit ourselves to self-determination in working for debt cancellation within a broader concept of Jubilee, including assertion of our sovereignty from Northern domination and transformation towards an alternative global economic system.

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The declaration was issued by delegates to the Southern African Debt Summit in Johannesburg, 21 March 1999.

Jubilee 2000 Southern African Coalitions

Affirmed by delegates from: Angola, Lesotho, Malawi, Mozambique, South Africa, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe, Jubilee 2000 Africa and Jubilee 2000 Coalitions from Latin America and Philippines

# FOREIGN DEBT TRIBUNAL

## - VERDICT -

April 26 - 28 1999 Rio de Janeiro, Brazil

The FOREIGN DEBT TRIBUNAL met from April 26th to 28th , 1999, at the João Caetano Theater in Rio de Janeiro, Brazil the site where the Independence hero and martyr, Tiradentes, was hanged. Some one thousand two hundred people from various parts of Brazil and other countries around the world attended and participated in the event.

Organized by the National Conference of Bishops of Brazil (CNBB) and Caritas, the National Council of Christian Churches (CONIC), the Ecumenical Service Coordination Bureau (CESE), the Popular Movements Center (CMP) and the Movement of Landless Rural Workers (MST), and the Institute of Brazilian Lawyers (IAB), with the support of CORECON/RJ, SENGE/RJ, SINDECON/RJ, IERJ, Koinonia and PACS, the Tribunal convened to hear the case of Brazil's foreign debt and to reinforce the Jubilee 2000 Campaign to cancel the debt of the most heavily indebted, lowest income countries.

Brazil, along with other Latin American and Caribbean countries, is considered an “emerging” nation with a medium income level. Its income distribution profile, however, is among the worst in the world, with one quarter of its population – that is, 40 million people – below the poverty line. The Tribunal was thus called on to identify the relationship between Brazil's foreign debt and this situation of injustice and misery. In addition to pinpointing the factors that lead to and constitute the foreign debt, and then cause it to grow out of all proportion, and to identifying those responsible for it, the purpose of the Tribunal was to define alternative policies and strategies of action for sustainable means to surmount the crisis of foreign indebtedness and its social and environmental consequences.

After four sessions, in which an extensive and diverse body of documented material was submitted and testimony and declarations heard from Brazilians and specialists from other countries – on the international financial system, on Brazil's indebtedness, on illustrative cases of indebtedness in other countries, and on prospects for action to confront and overcome the Brazilian debt crisis – this People's Tribunal, constituted by representatives of various sectors of the Brazilian public, reached the following verdict:

### **WHEREAS**

1. According to the studies and figures submitted to the Tribunal, the debt of the poorest, most heavily indebted countries has already been paid, and in current accounting terms, cannot be paid;
2. Since last rescheduled five years ago, Brazil's debt has increased from US\$ 148 billion at year end 1994 to US\$ 270 billion in March 1999, while in the same period, around US\$ 126 billion was paid to foreign creditors. This rate of borrowing is unsustainable to the point that almost all new contracts are tied to servicing the existing debt, thus closing a vicious circle of indebtedness;

3. The USA's unilateral decision at the end of the 70s to raise interest rates from their historic levels of between 4 and 6 percent to more than 20 percent, in only a few months, constituted a betrayal of good faith in the contracts and, in addition to forcing debtor countries to take out new loans in order to pay interest, entailed additional payments which meant losses of US\$ 106 billion for Latin America;
4. The fact that creditors impose a risk premium on debtors so as to cover themselves against possible inability to pay entitles the latter to declare themselves insolvent without onus;
5. Governments aligned with major corporations and banks with foreign debts have made a practice of nationalizing private foreign debt and socializing the related costs, thus committing public funds still further to servicing the foreign debt;
6. Strategic public enterprises have been used as instruments for excessive borrowing, thus compromising their financial health and capacity for investment, which has served as a pretext for later privatization;
7. There exists a clear connection among foreign debt, excessive internal public borrowing and efforts to attract short-term foreign capital, which is subjecting Brazil to a policy of extremely high interest rates;
8. As the Brazilian government regards the financial system as an absolute and an end in itself, it has sacrificed the part of the budget earmarked for social policy spending and for invigorating the domestic economy in order to keep financial debt payments up to date. As a result it has abandoned health, education, policies for employment, for the demarcation of indigenous lands and to ensure conditions for the survival of indigenous peoples, to give due value to the elderly and children, to carry out agrarian reform, and to conserve and restore the environment;
9. The IMF's economic and adjustment policies have proven disastrous for countries subjected to them and serve to increase still further those countries' debt and other foreign liabilities, thus constituting a moratorium without end on the social and environmental debts, whose creditors are or children, working women and men of the cities and countryside, blacks, indigenous peoples and Nature;
10. The USA manipulates the UN, WTO, IMF, World Bank and NATO to suit its strategies to dominate and control the peoples of the world;
11. Brazilian public borrowing has always favored the interests and privileges of the dominant elites;
12. Brazil's excessive indebtedness was generated particularly in the last three decades, which were marked by 21 years of dictatorship and by a transition to civil governments which completed and connived with the surrender of economic policy to financial capital;
13. This indebtedness was constituted by dictatorial – and thus illegitimate and anti-popular – governments, and their creditors, besides serving as their accomplices, were aware of the risks attendant on these loans;

14. The expansion of the debt is connected with these elites' connivance with foreign private, governmental and multilateral financial institutions;

15. The foreign debt constitutes an ongoing violation of the International Covenant on Economic, Social and Cultural Rights drawn up by the UN on December 16, 1966, which calls for recognition of each nations' right to self-determination, to freely pursue its economic development and dispose freely of its natural wealth and resources, and also requires that in no case may a people be deprived of its own means of subsistence;

**THE MEMBERS OF THE FOREIGN DEBT TRIBUNAL HEREBY FIND UNANIMOUSLY THAT:**

Brazil's foreign debt was constituted in breach of Brazilian and international law, and without consulting the Brazilian public. It has favored the elites almost exclusively to the detriment of the majority of the population and is prejudicial to national sovereignty. It is therefore ethically, legally and politically unjust and unsustainable. In real terms it has already been paid and persists only as a mechanism for subjecting and enslaving society to the financial power of usurers and globalized capital, and for transferring wealth to the creditors.

For these reasons, this Tribunal condemns the Brazilian debt process, which entails subordination to the interests of international financial capital and the wealthy countries, backed by the multilateral organizations, as grossly unjust and illegitimate.

It holds the dominant elites responsible for the excessive borrowing and for having abdicated from any development plan of Brazil's own.

It holds responsible the governments and politicians who support and further plans to assign Brazil a subordinate position in the globalized economy.

It holds responsible those economists, jurists, artists and intellectuals who provide them with technical and ideological underpinning.

It holds responsible the dictatorship of the major media that endeavor to legitimize the debt and stifle debate over alternatives.

It also hereby resolves to communicate this decision to Brazil's legislative, executive and judiciary authorities at the federal, state and municipal levels, that they respect it for the legitimacy of this Tribunal's structure and social function.

Taking upon itself the hope embodied in peoples' struggles for alternatives in their livelihoods, social relations, and economic and social organization, this Tribunal proposes to all the women and men of Brazil the following commitments and strategies for action:

\* The union of all peoples in favor of a general and unrestricted canceling of the foreign debts of the most heavily indebted poor countries, the return of the wealth pillaged from them, with no conditions attached other than that the resources so saved be applied to paying off the social debts under the oversight of society itself, and that the human rights of all citizens be respected in full.

- \* An audit of the public foreign debt and of the whole process of Brazil's indebtedness, with the active participation of civil society, so as to ascertain in accounting and legal terms whether there is still debt to be paid, from whom it should be collected, and to establish democratic rules for overseeing borrowing.
- \* A sovereign moratorium, denunciation of the Agreement with the IMF and redefinition of the debts in line with the audit results and with strengthening national sovereignty.
- \* A development policy centered on the rights of the person and society, built chiefly on Brazil's own material and human resources, and going beyond the current logic and practice of irresponsible borrowing.
- \* Firm exchange controls, which equip the government to restrain speculation and re-encourage investment in production, including effective mechanisms to control and inspect all the illegal forms in which Brazilian and foreign currencies, and goods in general, enter and leave the country.
- \* The re-nationalization and democratization of strategic enterprises.
- \* The rescheduling of state and municipal debts, with the resources so saved tied to repayment of social and environmental debts, and the refounding of Brazil's federative pact on a democratic, participatory basis.
- \* Reinforcement of mobilizations and campaigns such as ATTAC, which demand that mechanisms be set up to regulate and tax the circulation of international speculative capital, with a view of creating a fund earmarked for restoring those most impoverished to a decent life.
- \* The union of Latin America and the Caribbean peoples in support of common alternative policies and strategies for the continent, in order to confront together the vicious circle of indebtedness and the other factors of impoverishment and subordination that afflict the whole continent.
- \* Participation of the Jubilee 2000 Campaign, the World Council of Churches and other Brazilian and international institutions, in a mobilization that will lead democratic States to propose to the UN General Assembly a joint suit be brought before the International Court of Justice at The Hague to judge both the processes that gave rise to and hypertrophied the foreign debt of the heavily indebted impoverished countries, and those responsible.

This Tribunal is a symbolic milestone on a long march. It therefore calls on all Brazilian men and women to join, in hope and without fear, in the initiatives that will grow out of this judgement and to continue to take their stand, in the streets and public places, until we manage to make Brazil truly a motherland for us all, one that offers to all the means to live a life of dignity and full citizenship.

**This is our decision. Let it be published and proclaimed. Subscription is hereby authorized to none but all men and women of good faith.**

**Rio de Janeiro, Tiradentes Gallows, April 28th, 1999.**





# **The Lusaka Declaration and Areas of Action**

## **Towards an “Africa Consensus” on Sustainable Development and Sustainable Solutions to the Debt Crisis**

We represent social organisations from across the African continent, and we have deliberated for three days about our experiences, values and visions for solving the debt crisis, an affliction that has reversed human development and environmental progress over the past quarter-century.

Our conference is part of a process of Movement-building within and beyond Africa: a Movement against the crippling impact of debt on billions of people across the world, and for a new, people-centred *genuine* form of development.

Our objectives were to expand upon our predecessors—the Accra, Lome and Gauteng Declarations; to begin to establish a new “Africa Consensus” on debt and sustainable development (to replace the bankrupt “Washington Consensus”); to identify demands, strategies and enhanced roles for Debt Coalitions and Jubilee 2000 chapters—and, indeed, civil society more broadly; and to define and undertake a plan of action leading to debt cancellation and genuine development, based on freedom, justice and equality for both genders and all communities.

We endorse the spirit of the Accra, Lome and Gauteng Declarations in their recognition of the magnitude and unacceptableness of Africa’s illegitimate debt, and their commitment to moving beyond debt bondage and abject poverty, towards sustainable human development, which specifically addresses the needs of the historically, socially and economically disadvantaged groups.

We reiterate the call for total debt cancellation, and we insist that creditors and G7 countries cannot be allowed, anymore, to dictate the terms of cancellation. Africans ourselves must determine our own development path. We as civil society have a strong—sometimes decisive—role in determining the necessary conditions for sustainable development.

The Highly Indebted Poor Country (HIPC) initiative and other debt relief proposals, including the recent proposals from G7 countries (notably from the United States, Britain and Germany), all insist on unacceptable conditions, and entail inadequate amounts of relief. The conditions are invariably associated with the top-down Washington Consensus, which has had such a devastating impact on so many countries these past two decades. Structural Adjustment Programmes (SAPs) and the Enhanced Structural Adjustment Facility (ESAF) have deepening economic, social and ecological hardships for the vast majority of people on the continent. Enough is enough.

In very practical ways, the case studies we have considered from our colleagues in Uganda and Mozambique have shown the limits to the HIPC initiative, the disastrous effect of HIPC conditionality, the lack of meaningful debt relief, and the reinforced *status quo* of social

inequality, economic exploitation and domination by international financiers and rich-country governments.

Moreover, the so-called Debt Relief Initiatives have not resulted from inclusive negotiations. The Paris Club and the HIPC Initiative are merely processes and frameworks imposed by Creditors on Debtors.

In sum, we reject HIPC and the other current debt relief processes and commit ourselves to expose their fundamental flaws in each of the countries, particularly in the run-up to the June 1999 G-8 Meeting in Cologne, Germany. As members of African civil society, we believe we have the standing to speak truth to power, in a way that often our own political leaders lack courage to do, in the presence of overwhelming Northern financial arrogance.

In addition, we commit ourselves to working against localised symptoms of our debt burden and economic process, including war, corruption and other evils that undermine our development processes. We declare that we will intensify our work towards the democratisation of our societies, in a gender-sensitive manner.

Ultimately, however, we insist that debt is a manifestation of the neo-liberal world order, the power of international banks to push loans on Southern borrowers without the democratic inputs of parliaments and civil societies, and the disastrous character of the world economy, which charges ever greater prices for imports from the North while paying ever lower prices for Southern exports.

In short, debt is one of the most important instruments of Northern domination over the South, and the domination of financiers over people, production and nature everywhere. As part of our struggle to liberate ourselves from this bondage, we make demands for the cancellation of debt as part of a broader struggle to fundamentally transform the current world economic order and transfer power from the political leadership of the rich countries and the economic power of Transnational Corporations and international financiers, and their instruments, notably the International Monetary Fund, World Bank and World Trade Organisation. Likewise, these forces have instruments in the South, namely some of our own technocratic, political and commercial elites who are in the tiny minority of Africans who continue to promote the Washington Consensus.

In the same spirit, we will make reasonable, rational demands for reparations to compensate for the economic, social and environmental damage which affect our people. These reparations will not be allowed to trickle into our elites' pockets, but must be directed into rebuilding our societies and environments, and in the process to restoring our human dignity, and especially that of women.

We draw strength from the experiences of gains made by civil societies in the world in securing their demands. For example, in helping to end apartheid, in successfully questioning ecologically-destructive projects (such as big dams), in banning land mines, and in halting the transnational corporate "Multilateral Agreement on Investment," our civil societies have made their mark over the past decade.

We are convinced that the world's people of conscience are now fully aware of the damage being done by debt to Africa's women, men, children and environment. We are confident in linking the

conditions associated with current forms of debt relief, to our ongoing suffering. And we are committed to ending such conditions, replacing the Washington Consensus on neo-liberal development with an Africa Consensus on genuine development, and adding to our demands the need for the reparations required to assure our society's ability to meet our basic human needs and to repair our degraded environments.

We commit ourselves to mobilising ourselves at local, national, sub-regional and Africa regional levels. We commit ourselves to strengthening the various tools and instruments of democratic governance in Africa, in order to ensure that our governments finally begin to represent the interests of our peoples. We commit ourselves, to these ends, to strengthening relationships with the progressive civil societies of the South as well as in the North.

## **Areas of Action**

Our strategy to achieving our objectives include the following principles and action areas:

### **1) Conditions on debt cancellation**

In the context of an Africa Consensus for genuine development—NOT the neo-liberal Washington Context—we endorse the total cancellation of African foreign debt *in order that ALL the proceeds go to meeting our society's basic human needs and restoring our environment.* (National processes can determine particular priorities to these ends.) If such redirection of development resources is not the demonstrable outcome of the immediate stages of debt cancellation, a mechanism must be developed—probably involving an international human rights arbitration institution (to remove conditionality power from Washington Consensus organisations)—to assure that proceeds from cancellation go to meeting basic human needs (with no decline in existing resources to this end). A follow-up task force will work to take forward activities to more forcefully define the Africa Consensus, and in addition, to define the terrain of the international mechanism required, to establish more detailed guidelines on beneficiaries of debt cancellation proceeds, and to forge the local, regional and international alliances required to bring this mechanism about.

### **2) Enhancing civil society capacity**

We believe that without a dramatic increase in our own power, we will not succeed. This power comes from more mass education and mobilisation towards effective mass campaigns and actions; more contact and persuasion through the media (just as we intensify our efforts to achieve media freedom); and more sophisticated engagement with our governments and parliaments. African civil society organisations have great needs, of which some are material but some reflect our own capacity to better represent our constituents. Regarding funding, Northern support with strings attached continues to be a barrier to our own development. What is needed is a share of debt cancellation proceeds to be earmarked to capacitate civil society to carry out all the areas of action outlined here (as well as others that might arise). This is the only logical way to level the playing fields between international institutions, African governments and civil society, which have dramatically declining capacity in that order. But more generally, in grappling with complex debt-related issues, African civil society organisations need to prioritise research (and training of researchers), better dissemination of information, deeper empowerment of people through information and organisation, and continued attention to disaggregation of issues by gender. We believe that our Lusaka Declaration and forthcoming work in the same spirit should feed into a South-South process.

### **3) Reparations and loan audits**

African civil society realises that Northern institutions and governments have long dominated and exploited Africa. Some estimates of this exploitation have been made, for example in studies of the damage done by apartheid-caused lending until 1994 conducted by Action for Southern Africa (London). More research is required, and we call on progressive researchers and academics to intensify their documentation of the ongoing and historic ways in which Africa has been exploited, in the tradition of Walter Rodney's *How Europe Underdeveloped Africa*. As a first priority, additional research on audits of foreign loans (for failed development or structural adjustment projects) will be required, partly to establish co-responsibility of the creditors in very specific ways. This information will help establish how much in reparations we can legitimately demand, and will allow us to approach lenders and donors on a bilateral and multilateral basis. In particular, corrupt political leaders, bureaucrats and businesspeople have engaged in systematic capital flight and corruption, and we call on our allies who monitor offshore financial flows to intensify their studies of how much of Africa's resources have been raided. In turn, we require strategies to force those in the North who have benefitted from African capital flight—including the major international banks—to acknowledge their responsibility to pay reparations to our societies. Examples of previous reparations include Swiss banks in relation to Nazi Germany and the Marcos regime in the Philippines, and land rights reparations for indigenous Canadians and Australians. Led by the South African demand for reparations from banks which funded apartheid, we will intensify our demands for social justice the more we identify how our continent has been systematically exploited.

### **4) New international financial arrangements**

As we develop our Africa Consensus on genuine development, we in civil society will also more firmly advocate the disengagement of our countries from the IMF and World Bank, whose interests are diametrically opposed to our own. To this end, we commit to starting debates on disengagement and proposing alternatives (and to acquiring capacity to do better research and advocacy to make our case). International aid should be channeled primarily into meeting human needs. In cases where hard currency is absolutely required (for vital inputs that have no local replacements, *not* for luxury goods imports and inappropriate capital-intensive machinery and debt repayments) and where donor grants are not required, the source of hard currency loans should be interest-free credits.

### **5) Towards parliamentary and civil society oversight on foreign loans**

Any approval for new foreign loans should be passed through parliaments, and if this is not already a feature of constitutions or legislation, it should become so. The relationship between civil society and government, especially parliaments, in each of our countries should be strengthened. Civil society organisations representing poor and working people should at the very least have formal standing in assessing and monitoring these proposed loans, for example through providing submissions to parliamentary committees, regularly scheduled public debates, serving on statutory financial commissions, and engaging in formal evaluations. In general, transparent disclosure of information associated with our debt burdens should become policy and law. Civil society organisations commit to increasing their parliamentary advocacy and doing rigorous, widely-disseminated and accessible research to these ends.

### **6) Towards a Debtors' Cartel**

We endorse the *collective repudiation* of illegitimate foreign debt by our political leaders, again on the condition that the benefits from cancellation be redirected to Africa Consensus forms of sustainable development. However, in view of the failure of efforts along these lines (for

example by Julius Nyerere of Tanzania in 1983), we recognise that our political elites may not have either the courage (or self-interest) to establish such a cartel. As a result, we make a commitment to linking our arms across borders to not only put united pressure on our leaders to establish a Debtors' Cartel, but also to compel them to include civil society in negotiations with Creditors.

**7) Our Jubilee ultimatum**

If we do not see progress towards the cancellation of Africa's foreign debt by the end of December 2000, African civil society organisations will ratchet up pressure towards the debt repudiation option, and intensify our commit to disengage from the international forces which continue to chain us.

19-21 May, 1999  
Lusaka, Zambia

Affirmed by African civil societies working on debt from the following countries;  
Burkina Faso, Lesotho, Malawi, Mozambique, Nigeria, Cameroon, Swaziland, Tanzania,  
Togo, Uganda, South Africa, Zambia and Zimbabwe.

# Jubilee 2000 UK on the G8 meeting at Cologne on June 18-20, 1999

*The press-release by Jubilee 2000/London, together with the “Jubilee 2000 debt news” on the “Cologne communiqué” attached to it, provides background information on the anticipated results of the G8 meeting on June 18-20, 1999 at Cologne.*

*The scandal:*

*The G7 countries will probably offer only insufficient debt reductions linked to IMF conditions! Details should be worked out in secret, entirely by the World Bank, IMF and the most secretive cartel of creditors, the Paris Club.*

*The consequence:*

*Even more power for IMF and World Bank.*

## **Jubilee 2000 Coalition condemns stalling tactics of G8 and calls for British Government to be ready to go it alone.**

The Jubilee 2000 UK Coalition's board met on Friday 21st May, to discuss strategy and tactics in response to disturbing news of a breakdown in G8 negotiations for debt relief. The Board, which includes representatives of organisations such as Oxfam, Christian Aid and the Trades Unions Congress, resolved unanimously to call on the British government to take unilateral action, if the G8 Cologne announcement on 19th June does not produce a real exit from indebtedness for the poorest countries. If these talks fail, the UK Coalition will call upon the British government to act independently of other creditors, and write off the £75 million paid to Britain each year by the poorest people of the world.

Ann Pettifor, Director of the UK Coalition said: "We call on all Jubilee 2000 supporters to redouble the pressure on G8 leaders over the next few weeks. It is crucial that these reports of failed negotiations are shared widely, and that hundreds of thousands of people around the world make their voices heard by the G8 leaders before the Summit. Once again, the rich are short-changing the poor. We need to tell our leaders they cannot do this in our name."

Reports of recent negotiations preparing for the Cologne communiqué have revealed a disturbing lack of progress on debt cancellation. Jubilee 2000 campaigns around the world have forced creditors to respond to pressure. There has been much rhetoric on the need for "radical debt cancellation." However opponents of debt relief in the G8 seem to have had the upper hand in negotiating meetings taking place behind closed doors – and are using the opportunity to impose IMF austerity measures on the poorest countries. These reports are likely to add a new tone of anger to the Global Chain Reaction events taking place around the world at the beginning of June – in the run-up to the G8 Summit in Cologne.

Jubilee 2000 Coalition in the UK received the news from reliable sources inside the G8. They suggest that the proposals for the Summit will produce only meager results for the world's poorest countries. The Summit communiqué is likely to increase the number of eligible countries (subject to good track records on IMF programmes) from 29 to 40 and to marginally increase debt relief on offer. However creditors could not agree to assess the debt on more realistic terms, in particular through the use of criteria or formulae that would provide an exit from debt. The new proposals are therefore likely to only cancel debt that is anyway not being paid, and to deliver almost no new resources for investment in health and education.

The G8 leaders have also failed to address campaigners' demands for a new and transparent process for determining debt relief.

Indications are that the IMF has won the battle to maintain control of indebted economies through their structural adjustment programmes (SAPs). The proposal from the British and German governments that countries should obtain an exit from debt and IMF programmes after three years, has been defeated by the IMF. Instead countries will be offered debt relief after three years, but will still be required to fulfil another three years of SAPs. If during this latter period they go "off-track", then they will be penalised through the removal of earlier debt relief. In other words, relief will be used in a draconian way, to enforce IMF austerity programmes.

The IMF victory comes in the wake of continuing criticism of IMF policies from a wide range of sources. The crisis in South East Asia and Latin America unleashed a barrage of criticism of the IMF for its economic advice – which many believe has exacerbated the economic crisis in South East Asia and Latin America, and has led to rising levels of poverty and unemployment. Criticism has also come from within the World Bank, where the chief economist Joseph Stiglitz has condemned structural adjustment programmes (SAPs) as ‘misguided’ and ‘neglecting ... fundamental issues’.

The news prompted anger amongst Jubilee 2000 campaigners in Britain. Ann Pettifor, Director of the Jubilee 2000 Coalition said: “The debt has been an unpayable burden on the poorest countries for decades now. It has shackled indebted governments to their creditors, represented by the IMF, and forced them to accept austerity programmes that harm their people, in particular the poor. And for all this time creditors have procrastinated and prevaricated, spinning out the economic pain through endless, costly re-scheduling. This news shows that the hard-faced financiers have won out again; and that creditors have failed to learn any lessons from history.”

She added: “We want comprehensive, orderly debt cancellation by the Jubilee year, the year 2000. If western creditors continue to stall however, they will face a long period of campaigns for non-collection by individual creditor nations. This will lead to divisions within their ranks, and possibly to further disorderly defaults. It is better for them to put things right now”.

## **Jubilee 2000 debt news:**

### **Jubilee 2000 UK Coalition prepares to raise the stakes at G8 Summit, as reports of early drafts of Cologne communiqué reveal attempts by creditors to stall on debt relief**

#### **Export sustainability**

Presently debt is considered “unsustainable” under HIPC if the net present value (NPV) of total debt is between 200% and 250% of exports (or more). In other words, if a country, repaying foreign debts in hard currency (invariably dollars) has total debt of more than 200% of the dollars it earns from exports, then creditors believe the debt to be unaffordable. Although this is the official criterion, only one country (Bolivia) has been included for debt relief, with a ratio of over 205%. So the real criterion for debt relief is that a country has to have debts equal to 200% of the value of income derived from exports.

We expect this criterion will be lowered slightly to 175% or 170%, which means that more countries would be considered to have debts that are not affordable. (Please note: this level has been deliberately set at a level to exclude Ghana from debt relief. Japan and France are taking a hard line on this.)

#### **Fiscal measure of sustainability**

The so-called fiscal measure of whether a country’s debt is sustainable is based on an analysis of the income the government collects in taxes, and how much of a debtor government’s budget is spent on paying off debts. Aid agencies and Eurodad have been arguing that this is a much better measure of whether a government can afford to repay its debts because that way



we could be comparing funds used in the budget for debt repayment, and funds available for development. The fiscal criterion is a little more complicated. If you don't want to get bogged down in its detail, skip this next couple of paragraphs, and go to process. But remember, shifting from the export criterion to the fiscal or budget criterion, would give more debt relief to the poorest countries and it would "cost" creditors more.

Critics argued that there is no justification for using the export measure, and these arguments have been strengthened because the only two countries which actually have received debt relief (Uganda and Bolivia) under HIPC have dropped back into "unsustainable" debt levels because of the sharp fall in export prices, and thus export earnings. For countries with a high level of exports, an alternative fiscal criteria was introduced:

- if exports are more than 40% of GDP
- and if government fiscal revenue (DBR: that is, domestically generated taxes and fees, excluding aid) is more than 20% of GDP,
- then an alternative criteria of NPV/DBR = 280% can be applied.

Few countries satisfy these alternative criteria, but the World Bank argued that estimating debt service payments as a portion of tax revenue made much more sense in calculating how much debt service can be paid. Britain also took up this idea. But the rest of the G7 seems to be rejecting it, on the grounds of cost – it would lead to too much debt being canceled. (A clear case that a criteria which makes some sense would demand too much debt cancellation, so the G7 needs to stick to a criteria which cannot be justified but which is determined by how much money they want to make available.)

The final G8 announcement in Cologne may include a slight shift in these criteria, perhaps to 35%/17% or even as far as 30%/15% (that is, countries will be eligible for the fiscal criteria if exports are more than 30% of GDP and tax revenue above 15% of GDP) but with no lowering of the 280% NPV/DBR.

### **Process**

There are no discussions at all about process. The G7 is agreed that the present creditor dominated, secretive HIPC process should remain. In other words, that debt "relief" should be decided only by the creditors with no significant independent or debtor voice. Details should be worked out in secret, entirely by the World Bank, IMF and the most secretive cartel of creditors, the Paris Club.

### **Timing And Conditionality**

These two issues are directly linked. At present a country must have completed 6 continuous years of a World Bank/IMF programme of adjustment (the so-called Enhanced Structural Adjustment Facility, ESAF) before debt relief is granted. Normally this is 3 years before the so-called "decision point" the point at which creditors *decide* to give relief or not. And 3 years between decision and completion point (which can be shortened if there have been more than 3 years before decision point). Criticisms have been raised both about ESAF itself (mainly by debtor countries) and about the 3 years between decision and completion point (by several of the G7 as well as debtor countries). The US and the IMF are taking a very hard line that will not reduce the 6 years qualification period for debt relief – during which IMF austerity programmes must be adopted, while other G7 finance ministries (including the UK and Canada) want at least to grant earlier debt relief. A proposal on the table is:

- to make the decision and completion points the same, so that debt relief is granted after

- just 3 years, but
- to make debt relief conditional on another 3 years of following an adjustment programme.

In effect, this gives the IMF and World Bank even more power during the second three years, because they will have the power to withdraw debt relief which has already been granted. Earlier debt relief would be a small gain for some debtor countries, but this would keep 6 years of excessively harsh conditionality and, for the first time, introduce the concept of retrospective withdrawal of debt cancellation.

### **Countries blocking progress:**

It is important that we try to build pressure urgently in four of the G7 countries:

- + FRANCE is now the biggest problem, refusing deeper debt relief on grounds of theoretical cost. Other G7 countries have argued that the up-front cost is small, but France rejects this.

- + GERMANY is surprising. The new government started the ball rolling with a major pledge on debt relief, but in negotiations has been very lukewarm. There may be a problem that the political goals have not filtered down to the civil servants and “sherpas” doing the negotiations; pressure on politicians to make strong public statements before the G7 meeting would help.

- + JAPAN is worried about cost, and will veto anything that increases the cost. Pressure to push Japan into line would help.

- + UNITED STATES has not been a major player in this, but is dragging its feet on two issues – cost and timing/conditionality.

# World Trade Organisation Millennium Round

*The following statement opposing the Millennium Round of the World Trade Organisation (WTO) was issued by the environmental NGO Friends of the Earth and signed by many NGOs and civil society organisations, among them Third World Network (Malaysia), Focus on the Global South (Thailand), the Africa Faith and Justice Network, ATTAC (France), Church of Sweden Aid and Kairos Europe. The statement criticises the role of the WTO in promoting global trade liberalisation. The review of the Agreement on Agriculture and of Paragraph 27,(3)b of the WTO Agreement on Trade Related Intellectual Property Rights (TRIPS), which are on the WTO agenda for the year 2000, are challenged by communities of farmers and Indigenous Peoples who see their rights neglected and the basis of their very survival threatened. Intellectual Property Rights (also in the context of the Union for the Protection of New Varieties of Plants of the UN World Intellectual Property Organisation) became a major instrument of transnational corporations, like Monsanto and other big players in the World's agribusiness, to secure their own power and profits at the expense of poor communities and their food security.*

*But in addition to the negotiations on agriculture and TRIPS, the EU, USA and other highly industrialised countries, want to add new issues to the WTO agenda such as investment, competition policy and government procurement. They call for "comprehensive trade negotiations" in the so called WTO Millennium Round (2000-2003). According to these plans, the content of the Multilateral Agreement on Investment (MAI; cf. the two previous WCC Dossiers on the MAI) that was defeated in the OECD will appear on the agenda of the WTO through the backdoor and under different labels. This fact is even more alarming since the EU and the USA continue to pursue negotiations on a vast free-trade zone, to be called the Transatlantic Economic Partnership (TEP). MAI related rules on foreign direct investment were also included in a recent treaty between Mexico and the EU. The WCC will continue to monitor the preparatory process of the WTO's Third Ministerial Meeting on November 30 to December 3 at Seattle and share information with its member churches and ecumenical partners. The WTO General Council will meet for special sessions to prepare for Seattle on June 21-22, July 9 and July 28-29, 1999.*

*Based on the Harare Recommendations on Globalisation, the WCC will encourage, welcome and support any initiative concerning the WTO Millennium Round taken by member churches and ecumenical partners.*

## STATEMENT FROM MEMBERS OF INTERNATIONAL CIVIL SOCIETY OPPOSING A MILLENNIUM ROUND OR A NEW ROUND OF COMPREHENSIVE TRADE NEGOTIATIONS

In November 1999, the governments of the world will meet in Seattle for the World Trade Organisation's Third Ministerial Conference. We, the undersigned members of international civil society, oppose any effort to expand the powers of the World Trade Organisation (WTO) through a new comprehensive round of trade liberalisation. Instead, governments should review and rectify the deficiencies of the system and the WTO regime itself.

The Uruguay Round Agreements and the establishment of the WTO were proclaimed as a means of enhancing the creation of global wealth and prosperity and promoting the well-being of all people in all member states. In reality however, in the past five years the WTO has contributed to the concentration of wealth in the hands of the rich few; increasing poverty for the majority of the world's population; and unsustainable patterns of production and consumption.

The Uruguay Round Agreements have functioned principally to prise open markets for the benefit of transnational corporations at the expense of national economies; workers, farmers and other people; and the environment. In addition, the WTO system, rules and procedures are undemocratic, untransparent and non-accountable and have operated to marginalise the majority of the world's people.

All this has taken place in the context of increasing global economic instability, the collapse of national economies, increasing inequity both between and within nations and increasing environmental and social degradation, as a result of the acceleration of the process of globalisation.

The governments which dominate the WTO and the transnational corporations which have benefited from the WTO system have refused to recognise and address these problems. Instead, they are pushing for further liberalisation through the introduction of new issues for adoption in the WTO. This will lead to the exacerbation of the crisis associated with the process of globalisation and the WTO.

We oppose any further liberalisation negotiations, especially those which will bring new areas under the WTO regime, such as investment, competition policy and government procurement. We commit ourselves to campaign to reject any such proposals. We also oppose the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement.

We call for a moratorium on any new issues or further negotiations that expand the scope and power of the WTO.

During this moratorium there should be a comprehensive and in-depth review and assessment of the existing agreements. Effective steps should then be taken to change the agreements. Such a review should address the WTO's impact on marginalised communities, development, democracy, environment, health, human rights, labour rights and the rights of women and children. The review must be conducted with civil society's full participation.

The failure of the Organisation for Economic Cooperation and Development's Multilateral Agreement on Investment (MAI) demonstrates broad public opposition to the deregulation of the global economy, the increasing dominance of transnational corporations and escalating resource use and environmental degradation.

A review of the system will provide an opportunity for society to change course and develop an alternative, humane and sustainable international system of trade and investment relations.

Drafted: 21 March 1999

First circulated: 24 March 1999

Last updated: 3 May 1999

Current number of signatories: 544

Countries represented: 63+ - Argentina, Australia, Austria, the Bahamas, Bangladesh, Barbados, Belgium, Bolivia, Brazil, Cameroon, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Ecuador, El Salvador, Estonia, Fiji Islands, Finland, France, Germany, Greece, Guadeloupe, Guatemala, Hong Kong, India, Indonesia, Italy, Ireland, Japan, Kenya, Korea, Latvia, Lebanon, Malaysia, Malta, Mexico, the Middle East (two regional networks), Morocco, the Netherlands, New Zealand, Nicaragua, Norway, Pakistan, Peru, Philippines, Portugal, Russia, Senegal, Spain, South Africa, the Slovak Republic, Sweden, Switzerland, Thailand, Turkey, United Kingdom, Uruguay, USA, Venezuela, Zimbabwe

To sign on, contact Ronnie Hall (Friends of the Earth): [ronnieh@foe.co.uk](mailto:ronnieh@foe.co.uk)

# World Bank Comprehensive Development Framework

*The “Proposal for a Comprehensive Development Framework” (CDF) by the President of the World Bank, James Wolfensohn, will have important consequences for ecumenical development agencies as well as churches and other ecumenical partners. A “pilot” period of 18 months is already underway. The framework is being tested in thirteen selected countries: Bolivia, Côte d’Ivoire, Dominican Republic, Ethiopia, Eritrea, Ghana, Jordan, Kyrgyz Republic, Morocco, Romania, Uganda, Vietnam, and West Bank and Gaza.*

*Information on the CDF, made available by the World Bank on the Worldwide Web says, “that bilateral donors are keen to move toward greater co-operation to avoid duplication of analytical work and to harmonize the processes for appraisal, monitoring, and evaluation – thus increasing their efficiency and reducing the workload for countries.” (<http://www.worldbank.org/cdf/cdf-faq.htm>, page 5)*

*While the IMF talks of “transparency” as a pre-requisite for the new “International Financial Architecture”, the World Bank is even more ambitious. The bank wants to co-ordinate and control almost all of the development aid. The pressure on bilateral donors and development agencies will increase to adjust to and operate within this framework. The CDF is an instrument effectively designed to control and coordinate the development projects of national governments and civil society. Any application for a World Bank loan will most likely be linked to compliance with the CDF and the transfer of all information on the different actors involved to the databases of the World Bank and think tanks like the Development Assistance Committee of OECD. They will provide the strategies and designs of development programmes. Development experts in the ministries of individual governments or the headquarters of development agencies will be asked to quit their jobs in order to avoid “unnecessary duplication”.*

*The review of the World Summit on Social Development (Copenhagen +5) in June 2000 in Geneva, will be an important platform to re-vitalise the debate on the development conflict. The World Bank will make sure that the discussion on the CDF will take center stage next year and in 2001.*

*The WCC will continue to monitor the debate on the CDF. But it is of utmost importance that member churches and ecumenical partners contact their governments, and inform themselves about possible consequences in their respective region and country and share this information with the WCC and other partners.*

***A Proposal for a Comprehensive Development Framework (Discussion Draft):***  
***<http://www.worldbank.org/cdf/cdf-text.html>***

**To:** The Board, Management, and Staff of the World Bank Group  
**From:** James D. Wolfensohn

## **A Proposal for a Comprehensive Development Framework (A Discussion Draft)**

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(Attachment I: The Prerequisites for Sustainable Growth and Poverty Alleviation (PDF file))

(Attachment II: New Development Framework - Bolivia (PDF file) ) *(note: both these attachments are not included in this report)*

### **Introduction**

During recent months I have been considering what I have learned in my first three and a half years as President of the World Bank Group and am particularly grateful to all of you for the advice and guidance you have provided. With your help, I have had a unique opportunity to visit 84 countries, Part I and borrowing countries alike. I have visited hundreds of projects, met with government officials, private sector representatives, members of civil society, from trade unions and employee organizations to religious groups, from foundations to global and local NGOs of every type, size and character. I have also participated in and benefited enormously from meetings with other multilateral organizations, starting with my regular breakfast and meetings with my friend, Michel Camdessus, and with the leaders and colleagues in the regional banks. I acknowledge my many exchanges with members of the UN family and with bilateral agencies with whom we work extensively throughout the year.

Obviously I believe that we and all of the above groups have contributed significantly to the betterment of mankind and to the improvement in the lives of many in poverty. I am convinced of the importance of consultation and participation. But the fact remains that progress is too slow. With three billion people still living under \$2 a day, with growing inequity between rich and poor, with forests being degraded at the rate of an acre a second, with 130 million children still not in school, with 1.5 billion people still not having access to clean water, and two billion people not having access to sewerage, we cannot be complacent. More than this, we must be concerned that 80 to 90 million people are being added annually to our planet, mainly in the developing world. Two billion more souls must feed themselves by the year 2025, hampered by wars, with growing inequity, and with distortions of economies and politics as evidenced in crises from Indonesia to Russia and from Latin

America to Africa. With the reduction in Overseas Development Assistance and current instability in the international financial markets, there is much to be concerned about.

### **Poverty Alleviation and Development Effectiveness**

I have been considering the special role of our institution and its effectiveness in poverty alleviation and sustainable development. Together we have worked very hard over these last years, building on the extraordinary work done in the past, to redirect our institution to one that is results-based and not volume-or procedure-based. I am extremely grateful to all of you for the hard work that is already bearing fruit. We are fortunate because we have 54 years of experience and several institutional frameworks, including the IBRD, IDA, IFC, MIGA, as well as related institutions such as Consultative Group for International Agricultural Research — Executive Secretariat (CGIAR), Global Environment Facility Secretariat (GEF), and Consultative Group to Assist the Poorest (CGAP). We can be proud of our history and of the role we have played. We have extremely experienced people in most areas of development — or at least access to them. We are making use of partnerships with others who have more effective skills or broader reach of resources than we have. We are indeed learning to listen more and to be a better partner for the governments and the people we serve and for those with whom we work in the international and local communities.

In addition, I believe we have a better articulation of our role with the IMF. Broadly, our sister institution has the responsibility for macroeconomic stabilization for our client countries and for surveillance. We have the responsibility for the structural and social aspects of development. Obviously, these are not two isolated roles and we work together very closely on a day-to-day basis.

As I have said before, the two functions are like breathing in and breathing out. An appropriate macroeconomic framework is essential for our work, but the social, structural, and human agenda, which we share with the regional banks, members of the UN system, and other partners in development, is essential for the IMF which cannot and does not prescribe in a vacuum. Together we must serve the hopes and aspirations of the people in our client countries, or our clients will not achieve their objectives in peace and stability. And together, we must work with and support the work of the World Trade Organization which is so critical to the trading arrangements and future of our client countries.

In particular areas, such as strengthening the financial systems around the world, we work together as partners with the IMF, regional banks, the BIS, and other institutions; each of us contributing according to the needs of the situation and our available human resources. Our partnerships with the international community are many and varied and serve our clients well.

## **Part I**

### **A Concept — A Balance Sheet with Two Sides, a Coin with Two Sides, a Duet with Two Parts**

When I think of a development framework for a country and for regions, I think of a balance sheet with two sides. On the left is the macroeconomic presentation including the Article IV reports of the IMF, the National Income Accounts, the Balance of Payments and Trade Statistics, and all the other financial and economic analysis which are at the core of our current appraisal system. All of us are used to quoting GDP statistics, interest rates, reserves



statistics, percentage growth statistics, and so on as a basis for monetary and fiscal policy. Based on analysis of the information, we can decide whether a country is Part I or Part II, IDA eligible, or HIPC eligible. It is the language that Finance Ministers find comfortable, and we all use it to make decisions.

### **The Need for the Right-Hand Side**

There is however, a clear need for a second side which reflects more adequately an analytical framework that presents the structural, social, and human aspects. It must go beyond the familiar statistics of infant and maternal mortality, unemployment and children in school, to address fundamental long-term issues of the structure, scope and substance of societal development.

Let me explain this a little more, but before doing so, let me say that I am not too convinced about the imagery of a Balance Sheet. Perhaps we could speak of two sides of a coin, or two parts of a duet. What is key is that the two parts, namely macroeconomic aspects on the one side and the social, structural and human on the other, must be considered together.

But let me return to my balance sheet example. Unlike macroeconomic analysis which brings everything together in a familiar consolidated form, we in the development field have been less successful in giving an accountable presentation of the status of structural work and social progress. This is not surprising since multilaterals and bilaterals alike are limited by resources, experience, and reach and none except the government of the country in question has an overall responsibility. Governments have the responsibility for putting it all together in a comprehensive review of all the elements required for growth and poverty alleviation. But we know that not all of the governments we serve have the capacity to do so, or the resources, or sometimes even the will. Now is there an agreed framework for presentation.

We also know that we “players” in the development business are surely not accustomed to working together in harmony, neither the UN system and multilaterals with bilaterals nor NGOs with the private sector. We certainly cooperate more than we did in the past. We at the Bank are committed to strengthening such cooperation. But there is still suspicion and many historic grudges and perceptions. What is necessary is an overarching framework — an approach agreed with the government concerned — which will allow us all to work together to meet our goals for poverty alleviation and environmental sustainability. On the basis of such work, we would then be able to present a right-hand side of the Country Balance Sheet which would allow for a more comprehensive analysis and more soundly based action.

### **The Comprehensive Development Framework and the International Financial Architecture**

Within and without governments, in a multitude of research and private organizations, in the press and public discourse, analysis is proceeding as to how the world financial and economic system should be changed, and what role the Bretton Woods institutions are to play. I am of the personal view that with some few changes, including expanded and more transparent financial information, the basic international architecture has served us well. Of course, it can no doubt be strengthened and I am certain that many suggestions will be made. I wish to deal here with only one aspect of the debate.

The Comprehensive Development Framework I am proposing highlights a more inclusive picture of development. We cannot adopt a system in which the macroeconomic and financial is considered apart from the structural, social and human aspects, and vice versa. Integration of each of these subjects is imperative at the national level and among the global players. It is not possible to separate these subjects in Part I countries where the structure of economic and social governance exists. It is certainly not possible to separate these subjects in Part II countries where there is much less tolerance for risk due to fragile structures. A wrong step on the macroeconomic side can have dire consequences for the structural, social and human dimension. In addition, profligate and unbridled spending without regard to resource constraints and fiscal and monetary policy can also have dire consequences.

### **The Prerequisites for Sustainable Growth and Poverty Alleviation**

What are the basic structural, social, and human prerequisites that should balance the macroeconomic considerations? Let me set forth my list which we should examine and test over the next 12-18 months. But before doing so, let me make one additional important assertion. I believe that unless we think of having all the basic prerequisites, say over a 20-year time frame, we will endanger, and sometimes ruin the effectiveness of individual projects and programs which we undertake with our clients. Clearly not all the objectives can be approached simultaneously. The framework should not become a straight jacket. We need the flexibility to adjust to the varied conditions of each country. There will be a need for setting priorities, for phasing of action based on financial and human capacity and based on necessary sequencing to get to our objectives. But over time, all the requirements within a holistic framework must be addressed if there is to be stable, equitable, and sustainable development.

One of the reasons for developing such comprehensive, holistic framework is to allow us to think more strategically about the sequencing of policies, programs, and projects and the pacing of reforms. While the comprehensive approach emphasizes that we must advance on all fronts, certain steps need to be taken before others.

Let me give some examples of what I mean. The fact is that the success of most projects is dependent on many assumptions extraneous to the project itself. Building new schools is of no use without roads to get the children to the schools and without trained teachers, books and equipment. Establishing banks and financial institutions without a banking system that is supervised will lead to chaos. Initiatives to make progress creating equal opportunities for women make no sense if women have to spend many hours each day carrying clean water, or finding and gathering fuel for cooking. Seeking universal primary education without prenatal and postnatal health care means that children get to school mentally and physically damaged. Establishing a health system but doing nothing about clean water and sewerage diminishes enormously the impact of any effort. Seeking equity when government is riddled with corruption and has inefficient and untrained officials is an objective that will never be realized.

Privatization prior to establishing an effective regulatory or competition framework can be a recipe for a disaster; the benefits of lower prices for consumers may well not be achieved. We know, at least from hindsight, that part of the failures in Russia were due to paying insufficient attention to the preconditions for a market economy. Too often in the past, we have gone after the “easy” targets, saying that we would attack the more difficult (often

institutional) issues later on. In doing so, we have failed to recognize the essential complementarities.

By contrast, good business strategy attempts to identify bottlenecks — the hard to solve problems that are impediments to success — and it begins by attacking these first. We must learn to apply these lessons to attack poverty and bring about development.

It is also clear to all of us that ownership is essential. Countries must be in the driver's seat and set the course. They must determine goals and the phasing, timing and sequencing of programs. Where there is not adequate capacity in the government to do this, we must support and help them to establish, own, and implement the strategy. And we must work to achieve the strategy with our colleagues in the government, in the international development community, the civil society, and the private sector. In some countries the long and short term goals will be set by a process of public debate and consensus building led by the government with all sections of society. In other countries, the establishment of goals will continue to be set more centrally.

Let me now set down a possible framework for presenting and managing a holistic approach to the structural, social and human aspects of development.

## ***A. Structural***

### **1. Good and Clean Government:**

A country must have an educated and well-organized government. This requires capacity building, an open legislative and transparent regulatory system, properly trained and remunerated officials and an absolute commitment to clean government. While building an effective government framework is difficult, it will become impossible if there is corruption which is the single most corrosive aspect of development and must be fought systemically at all levels. Particularly it must start with a vigorous commitment from the leadership to fight corruption on all levels, with initiative both to prevent it from happening and a system for finding and punishing wrongdoers where corruption exists. The lead must come from the top and efforts must be persistent and unyielding.

### **2. An Effective Legal and Justice System:**

Without the protection of human and property rights, and a comprehensive framework of laws, no equitable development is possible. A government must ensure that it has an effective system of property, contract, labor, bankruptcy, commercial codes, personal rights laws and other elements of a comprehensive legal system that is effectively, impartially and cleanly administered by a well-functioning, impartial and honest judicial and legal system.

### **3. A Well-Organized and Supervised Financial System**

We have recent significant evidence from Asia and other parts of the world that unless a financial system is well organized, audited and supervised, any country and region is at risk and the people who suffer most from crisis are the poor. Accordingly, a government must establish an internationally accepted and effective supervisory system for banks, financial institutions and capital markets to ensure a well-functioning and stable financial system. Information and transparency, adequately trained practitioners and supervisors, and internationally acceptable accounting and auditing standards will be essential. Regulation and supervision must include banking, savings institutions, insurance and pension plans, leasing

and investment companies. Capital markets should also be developed and strengthened as resources allow.

#### **4. A Social Safety Net and Social Programs**

Clearly, a country's history and culture as well as its state of economic development, will dictate the extent and nature of social programs a government can or wishes to provide. But whether by informal arrangement, familial or tribal support or by government-provided programs, provision must be made for the elderly, the disadvantaged and disabled, for children, for the those men and women unable to find work, and those affected by natural disasters and the aftermath of war. In some transition economies, the social safety net is needed for those put out of work as a result of large-scale privatizations. Employment opportunities and the terms of employment are crucial to any functioning system. Governments must also provide special programs for indigenous people whose needs are different and whose culture and integrity must be preserved.

In the process of development, traditional institutions and relationships are often undermined, weakening the fabric which holds society together. There may actually be a degradation of social capital. Violence and social unrest may increase. Effective development must address these social concerns. It must both help re-establish a sense of community and knit the entire society together.

This whole area of social programs is very difficult and is heavily dependent on available budgets. But it is crucial to the long-term peace and stability of any country and must rank high on the agenda, particularly for international aid and development agencies working with governments.

While macroeconomic management is never perfect — there will always be some fluctuations in output and employment — the most effective safety net is a policy which maintains full employment. Deep recessions and depressions have adverse effects on virtually every one of the elements of the development strategy: health deteriorates, schooling is interrupted, and poverty increases. Formal safety nets are but an imperfect stop-gap measure in addressing the failures of effective macro policies to maintain the economy at full employment. It is on this subject that the link between the two sides of our balance sheet is most crucial.

Let me now switch gear and suggest six other elements which are basic to effective development and poverty alleviation. Let me start with two human aspects, perhaps the most fundamental of all, dealing with strengthened capacity of individuals in a society. I refer, of course, to education and health.

#### ***B. Human***

#### **5. Education and Knowledge Institutions**

All agree that the single most important key to development and to poverty alleviation is education. This must start with universal primary education for girls and boys equally, as well as an open and competitive system of secondary and tertiary education. Construction of schools, modern curricula geared to the new technological age, and the real needs of the emerging local market, and effective teacher training and supervision all contribute to successful educational programs. Adult education, literacy and lifelong learning must be

combined with the fundamental recognition that education of women and girls is central to the process of development. A government must also be careful to learn lessons of practice and history from indigenous peoples and communities, so that education is not imposed from afar but benefits from relevant local, communal experience. Finally, preschool education must be given its full weight in programs. This can be a key to the development of a child, the level of education reached, and thus the eventual achievement.

In addition, I should observe that developments in science, technology, and knowledge transfer offer a unique possibility to countries to catch up with more technologically advanced societies.

## **6. Health and Population Issues**

It is obviously crucial that mothers are supported and that children get adequate health care before and during school years or they will have their capacities diminished. Governments must ensure the provision of health services for adults and elderly at communal and local levels, as well as services for family health care and family planning. These services can come from a variety of sources, both public and private. The sheer growth in population is itself a critical issue which must be addressed in various ways depending on belief and culture. It is linked to education and to religion, and to available health services, and must be addressed by governments as they see fit. Specialized health-care facilities should also be provided on a national or regional basis.

Unless population growth is brought under control, the less developed countries face a losing battle, with most of the scarce savings being used simply to forestall a decline in standards of living. While in recent years in many countries, the percentage of those in poverty has declined, global population growth has been so rapid that the absolute number of individuals in poverty has continued to increase.

We are also confronted with major problems of disease which range from tuberculosis and malaria to AIDS which in all too many countries is being inadequately addressed. Not only can health be a human issue of great proportions but in many countries, health is a barrier to equitable development and to growth. And now let me pass to the key physical needs of development.

### ***C. Physical***

## **7. Water and Sewerage**

With 1.5 billion people not having access to clean water and two billion without access to sewerage, and with the increasing demand for water from industry and agriculture, an effective method of distribution, delivery, finding, and saving water is fundamental. So too is a strategy for sewerage, which not only pollutes water supplies but also affects health in a dramatic way. The regional aspects of water supply will have an increasing impact on peace, investment, and development in years to come, as well as on the individual lives of people, particularly women, in rural and urban areas.

## **8. Energy**

Two billion people without access to power resort to the use of wood and fossil fuels, resulting in health and breathing problems. Availability of power is not only an issue of convenience but saves the time of women searching for alternative fuels. The environmental

impact is also great, it having been evident for centuries with forest destruction altering weather patterns and affecting the quality of air we breath. It is also a major issue for private investment which calls for an adequate, reliable, and appropriately priced source of power.

### **9. Roads, Transportation and Telecommunications**

Many leaders have told me that an adequate road system is the starting point for development. Rural and urban roads make possible trade and services, provisions of health care, and getting children to school. Trunk roads are essential to link rural, urban and regional areas. Rail and air transportation systems are also key to growth and link countries to regional and international markets.

In addition to physical communications, access to telecommunications for trade, information and education will be absolutely essential to development in the next century. Without appropriate telecommunication, whether it be telephone or e-mail, computers or wind-up radios without batteries, poverty will not be fought and equity and opportunity will not be provided. Without access to modern communications, the difference between rich and poor will increase due to the knowledge gap, and growth will be restrained.

### **10. Sustainable Development, Environmental and Cultural Issues**

There is a growing agreement that protection of our planetary environment is an issue for all of us and that this translates into regional, national, and local strategies. Evidence can be found everywhere, whether it be in Russia, Thailand, or Japan, that pollution can not only kill but it can have severe adverse impacts on economic activity and on growth. Volumes have been written on the subject of environment — on the preservation of our natural resources from forests to bio-diversity, on the quality of our air and water, on its significance as an economic factor. The continuing degradation of important natural resources, like forestry, aquifers and so on, represent a silent crisis that will be difficult to reverse. Let me simply flag the issue here as a vital element in any assessment for the health of a society.

Cultural preservation is also crucial not only historic sites, artifacts and books, but also the spoken word and the arts. I believe that there can be no true national development without preserving peoples' history and culture, particularly in a new, globalized environment where there is pressure for "sameness" in all countries. Culture can be justified for tourism, for industry and for employment, but it must also be seen as an essential element in preserving and enhancing national pride and spirit. I will not easily forget my visit to Mali, one of the poorest countries in the world which, more than a millennium ago, led an empire that stretched up to Egypt. Only this week, I met with the Vice President of Bolivia who told me that the largest city in the Americas was once in his country and that the preservation of its history is part of their national pride.

Some believe that culture is a luxury — low on the list of development priorities. I do not agree and nor does any single leader of countries to whom I have spoken. But this is an issue for another day when we can ask what would France, Germany, Italy and even Australia be without their defining culture.

### ***D. Specific Strategies — Rural, Urban, and Private Sector***

Finally, let me shift gear once more to three specific groupings of strategic issues requiring special attention, namely a rural strategy, an urban strategy, and strategy to promote and maintain private investment. Each of these strategies will build upon the issues already discussed, but because of the importance and special nature of these three subjects, we set them apart for individual attention and review.

### **11. Rural Strategy**

With the largest concentration of poor in rural areas in most countries, it is important for governments to establish a coherent rural strategy. It is not sufficient to have new crops and agricultural extension programs if there is not provision for trading, for micro credit, for storage, for transportation, and for non-monopolistic outlets. In addition, there must be technical assistance to farmers and converters of agricultural produce. Governments need to think of integrated solutions to rural development, not just individual programmatic help. Integrated action does not mean a return to complex comprehensive and complicated state planning, but we must get beyond individual programmatic help in order to be effective.

### **12. Urban Strategy**

With 66 mega-cities of more than ten million people expected to be established in developing countries by the year 2025, with growth in all urban concentrations, and with our existing experience from Jakarta to Mumbai (Bombay), we have ample illustration of the special problems of urban management. It is clear that governments must have an urban strategy which differs from an overall national strategy to the extent that concentration of population causes special and unique problems. Urban planning and appropriate action will be crucial in the next millennium.

### **13. Private Sector Strategy**

It is clear that the engine of growth is the private sector, both domestic and foreign. A vibrant private sector requires that crucial elements of structural policy are in place. These include trade policy, tax policies, competition and regulatory policy, and corporate governance.

Conditions must be created for a climate of investor confidence — with appropriate laws, transparent regulations, and predictable taxes. Whether the issue is protection of property rights or fair and equitable labor practices, governments must give certainty to the investor about the “rules of the game”. Provision of credit, guarantees, sources of funding for projects all play a part in the competitive search by governments for investment and for job creation. Nothing is more significant to economic growth than the private sector.

### **14. Special National Considerations**

For completion of this list of prerequisites, I would leave an empty box (#14) along the top of the matrix for Special Considerations depending on the country or the region. In Bolivia, for example, the box was filled by the government with a strategy for an Anti-Cocaine Production Initiative. In other countries, it will be filled in according to the special needs of the country or region. My purpose in suggesting an extra heading (or more, if necessary) in the matrix is to give flexibility for specific country considerations.

All these issues together constitute the Right-Hand Side of the Balance Sheet.



## Part II

### A Proposal for a Broader Approach to Partnership and to Management of the Development Process

If we can accept for the moment that the above-mentioned listing is a plausible statement of the structural, social and human prerequisites for sustainable development, we can now devote attention to a consideration of what is being done in these areas and by whom. It is obvious to me that there is much too little coordination of effort, much too much suspicion between participants and in many cases a simple absence of a framework to coordinate and bring together under government guidance an agreed set of objectives and effective and accountable programs. There is too little transparency, much too little consultation and too little accountability for performance.

We would like to test as a management tool a matrix. On the top of the chart — the horizontal axis — lists, we list the 14 subjects referred to in Part I. On the vertical axis, it will list the “players” in the development business.

The players in the development field seem to be four:

- The Governments — national, state, city and municipal, within each country, and in some cases, regional groupings of governments. I would add that we should not forget the impact of the parliamentary bodies which also constitute both an element in government and a representative of civil society.
- Multilateral and bilateral agencies
- Civil society in all its forms
- Private sector, domestic and foreign

The matrix will look as follows:

<i>The Prerequisites for Sustainable Growth and Poverty Alleviation</i>				
<i>The Activities</i>				
<i>of Partners</i>				
<i>who can</i>				
<i>Assist in the</i>				
<i>Process</i>				

Before discussing this matrix, let me make general preliminary points:

First, there is no way that the World Bank should be seen as assuming the role of the coordinator of all programs in the matrix. In some cases, under the guidance of government, we will lead the process or segments of programs. In other cases, we will follow the lead of others, and in further cases, we will not participate at all. The existence of the matrix is not a clandestine attempt on the part of the Bank to dominate the international development arena,

or the donor dialogue in a given country. Quite the contrary. It is a tool to have greater cooperation, transparency, and partnership.

Second, stated more simply, the foremost objective of the matrix is to give all the players, but most especially national governments and parliamentary bodies, a framework of information which can ensure openness, a basis for coordination of effort, and for judgment of the effectiveness of programs and strategies. The matrix is open to all. It is a step towards inclusion, transparency and to accountability. Used correctly, it should stop much of the mud slinging and allow for legitimate and constructive praise and criticism — and above all, give a basis for evaluation and accountability.

Third, I recognize that the pace of coordination and of inclusion, of openness and accountability, will vary by country and by stage of political development. But in this sense, the matrix is neutral, and the government and the society it represents can alone determine the pace at which it wishes to move to a comprehensive program of coordination and measurement of performance. Ultimately, the matrix is a tool for the governments and people of the countries we serve. It is they who must own the programs, not us, and it is they who must set the pace.

Fourth, the matrix and annexes can and should be kept up to date in real time. The matrix will be a summary management tool. But behind each heading there will be Annexes for each subject area, containing a substantive description and far more detailed listings of short and long-term goals, programs, their present status, timing, cost and progress. These annexes can, and should, be kept up-to-date using modern communication and information technology, possibly with open designated web-sites.

## **A Proposal for the Matrix of Development Activity**

Having discussed the top line extensively in Part I of this paper, let me now turn to the vertical axis on the chart, broken down into the following four participant groups in the development process:

### **1. Government**

At the first level, the governmental structure of a country must be in charge of the process of development strategy and implementation. Government should aspire to have programs under each of the 14 headings along the top of the matrix and these will be entered into the grid. Obviously, the entries will have to be made in a form of shorthand and as I just noted, annexes behind each subject heading will give fuller details. For example, an annex on Justice Systems, an annex on education, giving far more detail on each subject.

Government should include not only national programs, but provincial and state, city and municipal to the extent that they are relevant.

## **2. Multilateral and Bilateral participants:**

The listing of those involved in the programmatic thrusts is long, but let me give an incomplete but indicative listing.

IMF  
UN agencies and programmes  
WTO  
European Union  
Regional development banks  
Bilateral agencies  
International organizations

All of these participants, as well as the World Bank Group, are involved in projects and programs for development. At a time of lessening resources for overseas development assistance and budgetary restraints on agencies which reduces available human resources, each of us needs to know what the other is doing so that we can cooperate and avoid duplication of effort.

## **3. Civil Society**

In all its forms, civil society is probably the largest single factor in development. If not in its monetary contribution, then certainly in its human contribution and its experience and its history. It is by its nature somewhat disorganized, due to the diversity of groups involved, although individual projects and initiatives are often meritorious, effective and of very long standing. There is, however, little accountability with some non-governmental organizations. Certainly greater cooperation with governments, multilateral and bilateral agencies and the private sector would be beneficial to all.

The list of participants in civil society is great, including, of course, elected parliamentary assemblies which are included also in the government sector. An incomplete list is as follows:

- i. Religions and religious organizations;
- ii. Foundations;
- iii. Trade unions and employee organizations;
- iv. Employer organizations;
- v. Non-governmental organizations with international reach;
- vi. Local non-governmental organizations;
- vii. Local groups organized for consultation and for implementation of projects; and
- viii. Organizations of indigenous peoples

Depending on local political circumstances, civil society has a greater or lesser voice, but our experience is that by engaging civil society in projects and programs, better results are achieved both with design and implementation and usually greater effectiveness, including more local ownership. I think we all recognize more and more that local ownership is the key to success and project effectiveness.

## **4. Private Sector**

It is absolutely clear that domestic and foreign private investment is the key to economic growth and employment. It offers know-how, training and investment which is essential for development and for the creation of employment opportunities. Private sector involvement is essential for science and technology — a critical factor for growth in all countries. There is a

responsibility on governments to provide an appropriate climate for investment, but there is also a growing understanding on the part of business leadership that it is not only morally good but good business to invest with a strong sense of social responsibility.

One should also note that many public projects can now be undertaken by the private sector; e.g. water, power, and communications, and that in many economies privatization of state-owned industries is a significant element in sustainable growth and in balancing the budget.

### **Sharing of Information and Cooperation**

If it were possible for all four groups to share information on what they are doing and plan to do, we would have a real chance of achieving longer term targets in a more effective and accountable manner. Accordingly, the matrix will look as shown on Exhibit 1. This matrix will allow us to see quickly what is going on in a country from the point of view of structural and social development and will also show us what is not going on.

In my judgment, if we can develop the matrix effectively, it will be essential for governments and ministers alike to look at both sides of a country's balance sheet when they come to assess a country's position. It will not only be crucial to look at the macroeconomic, financial and trade statistics but it will be equally important to look at the structural and social representations.

### **Goals, Achievements & Results**

The Annexes to the matrix will play a crucial role. They might start with a general overview of the objectives of the government over the long term in each subject area. It will be crucial in each annex to set forth where the country stands in terms of achievement and where they want to go. The matrix should be read in terms of the stipulated and agreed goals. There would follow a strategy for implementation with a time line. Thereafter, one could imagine a more detailed listing of projects achieved, projects underway, and projects planned, together with a listing of those institutions providing assistance and a detailed description of the projects planned and undertaken with their results. The format of the annexes should be set according to the subject and to those participating in preparing and managing it.

For each of the annexes, specialists would meet under the guidance of the government or minister concerned perhaps setting forth the program for the next one to three years within a ten to twenty-year framework. These annexes would be kept up-to-date as interaction with all the interested parties occurs. The information would be transparent and available to all. It would be a critical management tool.

It would also be possible to link on one Internet site all the "players" so that a continuing dialogue can be maintained and the maximum cooperation achieved. Participants wanting advice or reaction to an initiative could get help from all other participants and have access to best practices available in the development community.

Proactive knowledge management will allow all of us to share best practices and new research results. It will challenge us to improve our understanding of linkages and causality affecting poverty and set the pace for new analytical work and an invigorated research agenda. We hope to work on such an agenda with our partners in government, academia, and business.

I believe the impact of technology on development cooperation will be profound and far-reaching if used effectively. Already, we at the Bank are linking all our overseas offices with voice, data, and video communication by satellite and this can be a basis for a single, inclusive and transparent global community.

### **The Test Phase**

We are in the process of agreeing with a dozen or so countries to try out the Comprehensive Development Framework on an inclusive, transparent, and accountable basis. Already, our colleagues working in Bolivia have produced their own form of matrix which is attached. We will continue to experiment as we go forward.

Crucial to the success will be open discussions with all participants to learn from their experience, to have them join in the experiment to the extent that they wish. We will be totally open and looking for full partnership. Without it, this program cannot work.

### **Conclusion**

To conclude, let me say that none of this would be possible without the work being done individually by all our institutions in giving advice and support on projects and programs. Clearly this must continue with even greater efficiency and effectiveness.

What is new is an attempt to view our efforts within a long-term, holistic and strategic approach where all the component parts are brought together. Such development should, in our judgment, be a participatory process, as transparent and as accountable as possible within the political climate prevailing in each country. This is not a return to central planning. It is a holistic and strategic approach to development based on country ownership and partnership.

What is new is the commitment to integration of effort, essential in today's global economy where overseas aid is declining significantly. It is also a commitment to expanded partnerships, transparency, and accountability under the leadership of the government.

What is new is that the international financial architecture must reflect the interdependence of macroeconomic and financial, with structural and social and human concerns.

I personally believe that unless we adopt this approach on a comprehensive, transparent, and accountable basis, we will fail in the global challenge of equitable sustainable development and poverty alleviation. We will fail to build a sustainable international architecture for the coming millennium.

Certainly, we should give this approach a chance, work with our chosen countries, with our partners, and measure our results in a 12 to 18 month time frame. I am not wed to every word of this approach. I want to test it, and if it can be improved and developed so that we can all be held to higher and more accountable and comprehensive standards, then our goal of making a better and fairer world will be closer at hand.

## **Links and Addresses of the WCC Web page on the Debt**

[Http://www.wcc-coe.org](http://www.wcc-coe.org)

There is a growing number of ecumenical organisations, Jubilee 2000 campaigns and other non-governmental coalitions with work on the debt issue. Here are links to some of those who have Web sites and also addresses to some organisations in Africa and Asia.

### **European Network on Debt and Development (EURODAD)**

A coalition of European non-governmental organisations. The Web site is a good source for general background and follows specially the HIPC initiative and the position of the G7 countries and European countries.

Rue Dejoncker 46, B-1060 Brussels, Belgium;

Tel: 32-2-543-9060; Fax: 32-2-544-0559;

E-mail: [eurodad@agoranet.be](mailto:eurodad@agoranet.be)

<http://www.oneworld.org/eurodad>

### **“Putting Life before Debt”**

An international coalition of over 160 Catholic agencies calling for the cancellation of debt.

<http://www.cidse.be/debtfinaldebteng.html>

### **Africa Policy Information Centre**

Extensive information about Africa with debt as a Strategic Action Issue Area.

110 Maryland Ave. NE #509

Washington, DC 20002, USA

Tel: (202) 546-7961

Fax: (202) 546-1545

E-mail: [apic@igc.apc.org](mailto:apic@igc.apc.org)

<http://www.africapolicy.org/action/debt.html>

### **Jubilee 2000/UK**

A broad coalition of more than 80 organisations in the UK. A Web site with extensive information on the Jubilee 2000 campaign as well as background and news coverage.

P.O. Box 100, London SE1 7RT, UK;

Tel: 44-171-739 1000; Fax: 44-171-401-3999;

E-mail: [mail@jubilee2000uk.org](mailto:mail@jubilee2000uk.org)

<http://www.jubilee2000uk.org>

### **Jubilee 2000 South Africa and Apartheid-Caused Debt Campaign**

c/o AIDC, P. O. Box 1139, Woodstock 7925, South Africa

Tel: 27-21-6851565/6; Fax: 27-21-6851645;

E-mail: [aidc@iafrica.com](mailto:aidc@iafrica.com)

<http://aidc.org.za/j2000/index.html>

### **Jubilee 2000 Brazil**

Web site with focus on Tribunal on Debt <http://www.jubileu2000.org.br>

Av.13 DE Maio, 23/1608 - Centro

Rio de Janeiro - RJ

Brasil

E-mail: [jubileu2000@jubileu2000.org.br](mailto:jubileu2000@jubileu2000.org.br)

**Erlassjahr 2000 Germany**

A broad coalition with more than 1600 member organisations. A Web site with extensive information on the debt issue.

<http://www.erlassjahr2000.de/>

c/o Südwind e.V., Lindenstr. 58-60

D-53721 Siegburg

Tel: +49 (0) 22 41 / 59 12 26 Fax: +49 (0) 22 41 / 59 12 27

E-mail: [bureo@erlassjahr2000.de](mailto:bureo@erlassjahr2000.de)

**Canadian Ecumencial Jubilee Initiative**

Co-ordinates Jubilee campaign in Canada. Emphasise the need to see debt cancellation in the context of broader issues of economic justice. Web site in both English and French.

<http://www.web.net/~jubilee/>

P.O. Box 772, Station "F", Toronto, ON, M4Y 2N6, Canada

Tel: 416.922.1592 (x 30) Fax: 416.922.0957

Email: [jubilee@devp.org](mailto:jubilee@devp.org)

**Jubilee 2000/USA**

Coalition of US organisations.

222 East Capitol Street, NE; Washington DC 20003-1036, USA;

Tel: 1-202-783-3566; Fax: 1-202-546-4468;

E-mail: [coord@j2000usa.org](mailto:coord@j2000usa.org) <http://www.j2000usa.org>

**All Africa Conference of Churches**

Westlands Wiyaki Way P.O Box 14205

Nairobi Kenya

tel +254-2-441483 fax +254-2-443241

E-mail: [aacc@maf.org](mailto:aacc@maf.org) att: Sandra Bagenda

**African Forum and Network on Debt and Development (AFRODAD)**

P.O. Box MR 38, Marlborough, Harare, Zimbabwe;

Tel: 263-4-702093; Fax: 263-4-702143;

E-mail: [afrodad@samara.co.zw](mailto:afrodad@samara.co.zw)

**Jubilee 2000 Afrika Campaign**

c/o Affiong Southey, Campaign Secretariat, PO Box 1938

Community One, Tema Greater Accra Region, Ghana;

Tel: 233-21-776678; Fax: 233-27-551939.

Or external liaison

c/o Jubilee 2000/UK E-mail: [afrika@jubilee2000uk.org](mailto:afrika@jubilee2000uk.org)

**Jesuit Centre for Theological Reflection, Zambia**

Co-ordinates contacts between Jubilee campaigns in the Southern Africa region

P.O BOX 37774 Lusaka, Zambia.

Tel: 260-01-290410 Fax. 260-01-290759

E-mail: [debtjctr@zamnet.zm](mailto:debtjctr@zamnet.zm)

**Freedom from Debt Coalition, Philippines**

One of the most experienced campaigns on debt. 300 member organisations. Co-ordinating the Asian campaigns.

34 Matiaga St., Central District

Quezon City 1101

Philippines

Tel: (632) 9246399/ 4335537 Fax. (632) 9214381

E-mail: [fdc@skyinet.net](mailto:fdc@skyinet.net)

**World Bank**

Web site/page on the Heavily Indebted Poor Countries (HIPC) Initiative

<http://www.worldbank.org/html/extdr/hipc.html>

**International Monetary Fund, IMF**

Web site/page on the Heavily Indebted Poor Countries (HIPC) Initiative

<http://www.imf.org/external/np/hipc/hipc.html>