

## contents

1 > Poverty in Senegal  
page 3

2 > Worldwide Social Court  
page 8

3 > Basic Human Needs  
page 10

4 > IMF and World Bank  
page 16

5 > Unlawful Debt  
page 20

# Debt & Development



quarterly report

Second quarter 2001

Synthesis of published documents  
on [www.attac.org](http://www.attac.org)

August 2001

Debt & Development

N°2, Vol I



## foreword

### ? Mobilization For Global Justice

September 30 2001. Massive grassroots mobilization to protest the World Bank and IMF meetings. The International Monetary Fund (IMF) and World Bank will be holding their Joint Annual General Meetings in Washington, DC from September 29-30, 2001. We call on activists from all over the world to come to Washington during that week to protest and expose the illegitimacy of the institutions and officials who continue to claim the right to determine the course of the world economy. September 29-30, finance ministers and central bankers from 25 countries, as well as ministers from the International Monetary Fund (IMF) and World Bank, and World Trade Organization (WTO) - a veritable Board of Directors of the global economy - are coming to Washington DC. These institutions "bail out" governments with debt and credit problems, but they only provide money to governments that agree to allow corporations free access to their countries' resources and labor. They fire government employees and slash programs in health and education. In the case of the biggest bail-outs (like South Korea), most of the money goes to foreign investors to restore their "confidence." Most of the world's most impoverished countries have suffered under IMF/World Bank programs for two decades: they've seen debt levels rise, unemployment skyrocket, poverty increase, and environments devastated. Urged to export, they focus on cash crops like coffee instead of food for their own people, and allow foreign governments to build sweatshops - which also puts pressure on jobs in the US. More Information: <http://www.globalizethis.org/s30/>

### ? Disclaimer

The documents published hereafter do not represent ATTAC's point of view. They can express the opinion of other organizations, of thematic study groups, of local chapters, of researchers... It is about being able to share expertise and knowledge to build together this other world that is possible and to take back our future. All documents were published on ATTAC's website or e-newsletter.



# attac

**attac**

association for the taxation of financial transactions for the aid of citizens

## **ATTAC - Association for the Taxation of financial Transactions for the benefit of Citizens.**

A citizens' movement linking citizens, associations, trade unions and newspapers founded ATTAC in France on June 3rd, 1998. The idea for this initiative came from an editorial written by Ignacio Ramonet: "Disarm the markets", published in "Le Monde diplomatique" in December 1997:

"The Tobin Tax, named after the American Nobel prize winner for economics who proposed it in 1972, [would allow] for the modest taxation of all transactions on the foreign exchange markets in order to stabilise them, and at the same time, raise funds for the international community.

At a rate of 0.1%, the Tobin Tax would generate an annual sum of about 166 billion dollars, twice the amount needed per year to eradicate extreme poverty between now and the beginning of the century."

ATTAC's first unique trait is to have from the outset gathered its first four constituent parts from the citizens' movements, organizations of "Popular Education", unions and from the press. All these constituents gathered around a common objective, to which they could all relate, to re-appropriate "corporatized public space" and give it back to the people.

ATTAC's second unique trait is to have built a structure in France that has both "top-down" leadership at the national level and a militant base that makes ATTAC a genuine citizen's movement with autonomous local groups which can both act locally and feed ideas and initiatives back to the top. Consistency is ensured by a well-defined and democratically determined platform.

It should be remembered that all of this sprang from an initial newspaper editorial. Its author was amazed at the massive volume of readers who responded. 10 months later a first meeting was held in the South of France and today, 2 years later, ATTAC has 25,000 members round the country and 160 local groups carrying out both militant action and educational initiatives to raise public awareness of the issues surrounding globalization.

At a time when economic thought seemed to be reduced to a single "conventional wisdom", when resistance in terms of trade union influence or alternative economic models seemed to be waning, ATTAC immediately aroused popular enthusiasm by refusing to accept the status quo and the received wisdom from so-called experts, i.e. from an arrogant elite who dominate the debate, ignore democracy and seek to impose financial totalitarianism in the form of economic dictatorship of market forces.

Starting with an initial proposal, the Tobin Tax (Currency Transaction Tax), ATTAC has been carried forward by an enormous wave of support during the last two years from a wide range of public actors and, in particular, citizens who want to better understand, to act, to reverse the predominant economic thinking, and to refuse the dictatorship of the financial markets.

To fight against the domination of the financial markets in a world where everything is progressively becoming "merchandise", where everything is bought or sold, in reality means refusing the way economic, human, social, and political relations are organized. It means to finally put oneself on an equal political footing with the will to change the world by mobilizing citizens.

As result of ATTAC's development, its increasing significance, increasing memberships and contributions, the association had to become politically active; that is maintain, at different levels, relations with political figures, whether or not they are institutionalized, i.e. official political parties. This situation has raised a number of questions. One is critical: the association's independence and its refusal to be a part of any official political institution.

Today, ATTAC benefits from the broad support of its many members who bring both well-developed and diverse experience, but also many who are new to grassroots movements. This diversity is viewed as a major strength, which brings the association closer to achieving its main objective: regain the space lost by democracy to the benefit of financial markets.

ATTAC's campaign against the dictatorship of the markets requires building a new international financial architecture based on several proposals as foundations of democracy:

- 1) a global currency transaction tax,
- 2) the removal of tax havens
- 3) canceling the debt of developing countries.

This would help citizens to regain space for action and their freedom of choice at the national and international level.

Members of ATTAC include elected officials from various governmental structures, notably the French and European Parliaments as well as local governments. The parliamentarians play a specific role due to their electorate mandates. They are invited to work in specialized networks to develop our proposals and to collaborate with ATTAC headquarters as well as the local chapters in France. At the same time local governments and especially cities have the opportunity to define corporate globalization in relation with human localization and hence play a key role in understanding the processes with regard to the solutions. In this respect the "Morsang Appeal" (text signed by local government officials following out a first seminar held for them in Morsang sur Orge) is an important reference point for activities organized jointly by elected officials and local chapters.

However ATTAC is not a political party nor does it intend to become one, the association presents no candidates for elections, is not bound by electoral goals and its calendar of events and policies are established independently. No member of ATTAC running for election is authorized to represent the association in his or her campaign.

ATTAC's objectives cross paths with many other organizations whether they are NGOs, grassroots movements, unions or political parties. In this respect ATTAC plays a major role as a catalyst for democracy.

*ATTAC exists also in 26 other countries, some of them being well developed, others just starting. ATTAC is not a federation. All the ATTACs are independent but agreed on the international platform of the international movement and choose to build an ATTAC around organizations, unions, citizens' movements and citizens themselves. ATTAC functions more like a network.*

### **To contact ATTAC France**

International Office of Secretary

Christophe Ventura  
+33 (0)1.53.60.92.46  
attacint@attac.org

Africa  
Groupe-afrique@attac.org

Asia  
Groupe-asie@attac.org

South and Central America  
Groupe-americas@attac.org

North America  
jesover@attac.org

Eastern and Central Europe  
Groupe-est@attac.org



**attac**

# 1 > Poverty in Senegal



## Foreign debt, structural adjustment programs and poverty in Senegal

The relations existing between debt, structural adjustment programs and household poverty in Senegal are direct. While it is obvious that poverty in Senegal did not arise simply because of SAP applied in that country we can note that it is only after their application that household poverty became a mass phenomenon. We expected that non consideration of social impacts due to SAP would lead to almost general impoverishment, and note that since 1990 the IBRD has changed its rhetoric or policy concepts' regarding development models, and now utilizes the concept of trickle up'.

**By Abdourahmane NDIAYE**

*Faculty Member, Dept of Economics and Management, Cheikh Anta Diop University, Senegal. E-mail: rahmane@ucad.refer.sn*

Translation: Philippe Manet, coorditrad@attac.org

Original document including charts and footnotes:  
<http://attac.org/fra/list/doc/ndiayeen.htm>

It is not always easy to identify and prove the direct relations existing between the level of external or international debt, and the level of household poverty in a country. However, it is known that adjustment' is proposed, by major finance institutions, as a way of reducing domestic public deficits while restoring or reinforcing the capacity of that country to repay its loans. Among those mechanisms generating household poverty so-called structural adjustment programs' (SAP) play a major role because of the strong constraints they impose on the domestic economy. Debt service payments in 1989-90 were equivalent to some 48% of Senegal's current finance inflows, and some 74% of regular government expenditures, these latter suffering major compression with the objective of increasing budget savings and freeing funds for debt repayment [Duruflé, 1994: 81]. Increased budget compression and increase of debt payment capacities are obtained through major cuts in ordinary budget items and infrastructure expenditures. Fiscal receipts through 1985-90 were some 10 to 17 times less than in the FY 1980.

The existence of SAP tends to modify discussion and debate on the role of the State in income redistribution, and, since the early 1980s, the question of redistribution and equalization of revenues has been de-emphasized or relegated to minor significance, while SAP have taken the prime role. Notwithstanding that many SAP are of questionable pertinence, they always feature deep budget cuts in social and welfare spending. Strategy choices by the World Bank and IMF favor the directly productive sectors, and penalize welfare and living conditions of ordinary citizens. By deflation, company closures, restructuring and privatization of State-owned enterprises the socioeconomic situation can easily become yet more explosive. Choices made between social' and productive' spending, to the advantage of the latter, has resulted in Senegal's existing household poverty being maintained or increased.

Further, early adjustment programs adopted by the Senegalese government from 1990 and applied to the civil service and administration had, among their targets, a reduction in the number of Ministries from 23 to 15 (paradoxically, their number in fact increased to 38 between 1988 and 1995), and the elimination of around 2,850 public service employment posts, with redundancy by early retirement (at 48 years of age) for some 1,450 civil servants. In 1991 and on the 4,140 requests for leaving employment that were made, some 3,745 or 90% were carried out resulting in a direct charge to the State of 15.7 Billion CFA Francs (average redundancy cost per employee 4.2 Million CFA Francs). Most of the voluntary redundancies concerned lower-level posts while the two highest-level posts concerned about 46% of total numbers.

The average rate of GDP growth in the period 1970-94 was some 2.4%/year. Following the 50% devaluation of the CFA Franc ( Communauté financière africaine', pegged to FFR) in 1994 economic indicators for Senegal show some recovery, with real GDP growing by 4.5% in 1995 (against 1.5% in 1994 and 0.8% in 1993). Inflation was reduced to 5.5 % in 1995 (against 38% in 1994). Export-led growth by primary product exports, as recommended by all major International Financial Institutions (IFI), is however always exposed to the risk of adverse commodity price movements which are by definition incapable of being influenced by smaller, lower income exporter coun-

tries. It is thus not a base for sustained development and growth. It is also at question if the type of growth obtained by this adjustment' strategy is equitable and widely spread in the population.

While national income has grown on average by 2.5% per year, GNP per capita has been negative at an average of 0.7% per year for 1985-94 and was some 600 USD/capita in 1994. Since 1994 average economic growth of the country has been 5%/year, and the likely recovery in trend growth rates that has been obtained resets the question of equity and distribution with yet more acuity. In effect, if devaluation of the CFA Franc has yielded an apparent spurt of growth in export-oriented productive sectors mainly peanut-related, phosphatic fertilizer, fishing, food processing and textile activities the trickle down effect' on household incomes remains poorly distributed. This is because these trickle down' impacts are marginal by relation to the economy-wide growth required because of sustained demographic growth (some 3%/year) and the need to obtain wide distribution of the fruits of growth. It is found that overall economic growth based on this model provides relatively little or no benefit to middle income and poorer sections of society, as shown by the fact that in the period before devaluation (1981-93) the ratio of that 20% of the workforce receiving highest incomes, to that receiving lowest incomes was 16.7 in terms of national incomes and revenues. Further, the 20% (quintile) of the population receiving the highest incomes took some 60% of all financial inflows to the country, while the poorest 20% took some 3.5% of inflows. There also exist major inequalities between rural and urban incomes, with some 71% of all finance inflows going to urban areas, and 29% to rural areas.

#### Health, Sanitation, Education and Literacy

In that which concerns these key areas the increasing inability to satisfy basic needs makes fragile and undermines all major components of economic development and growth. verall, and through the 1980s, basic sanitation has deteriorated, at the same time as household incomes have shrunk, and, through privatization of health care, some 60% of the population is now excluded from regular access to health services. Water supply services are, in addition, far from satisfactory. For the period 1975-80 some 36% of Senegal's national population had access to clean drinking water, while between 1990 and 1995 this was raised to some 85% of the urban population but only to some 28% of rural Senegalese. However, while access to standpipes and other supply sources has improved, daily consumption per inhabitant has sharply fallen with the impact of SAP. In urban areas per capita water consumption of some 63 liters/day in 1980 has fallen to 54 liters/day in 1994, and this is particularly the case for the capital city Dakar (per capita daily water consumption falling from 88 liters/day to 69 liters/day in the same period), utilizing data from AFRISTAT published in March 2000.

(...)

Source : AFRISTAT, mars 2000

Senegal's health and sanitation systems are in an increasingly alarming condition. Some 6% of state spending goes to public health, well short of the 9% that is recommended by WH . Health spending totals diminished from 653 CFA Francs/person in 1978-79, to 427 CFA francs in 1988-89 resulting in increased exclusion from coverage for many social groups. While the WH sets targets for at least one physician per 10,000 of the population, one midwife per 5,000 women of child-bearing age, and one nursing auxiliary per 5,000 inhabitants, Senegal's situation is

remarkably far from these goals with 1 physician per 20,000 inhabitants, 1 midwife/14,000 women of child-bearing age and 1 nursing auxiliary/3,000 inhabitants. This deficit' in social services, with one State-run health center per 156,000 inhabitants, and 1 local dispensary ( case') per 4,500 persons is directly responsible for an infant death rate of 91 per 1000 (69 per 1000 in urban areas, and 102 per 1000 in rural areas). The Bamako Initiative, of which one objective is to encourage the utilization of generic medicaments in public service health care establishments, has however not resulted in access to medical care for the poorest members of the population. Further, the clearest indication of widespread poverty is the existence of child malnutrition, which is intensified by malnutrition of pregnant mothers (notably due to unbalanced and deficient diets). Data from ESP surveys shows major incidence of retarded growth due to insufficient nutrition (some 29% of all children) and insufficient body weight (22% of total). The privatization of health care by way of that approach favored by the PAS, using tickets or passes providing rebates on payments due ( ticket modérateur') has in fact widened the gap between those having access, and those who are excluded, while increasing numbers of the latter.

Concerning education and literacy, some 67% of the Senegalese population was classed as illiterate in 1995. This rate (one of the world's highest) is split by sex at 77% of all females, and 57% of males. The ineffective educative system is unable to widely deliver basic education, and takes only about 4.2% of GDP. However, and according to the Revue des dépenses de l'Education' this is some 50% greater than average national spending in other West African countries, but these countries achieve better schooling rates for their children. Despite marked growth in budget allocations for education since independence in 1960 Senegal remains one of the West African nations with the lowest school attendance, with only 58% of school age children receiving regular education. The lowest rates of schooling are found in the localities of Diourbel, Tamba and Louga, with less than 35% of school age children receiving education. At the other extreme, in the capital and in Ziguinchor around 90% of children receive education. Varying regionally, the disparity between girls' and boys' education is underlined by the fact that national average school attendance by girls is low, at about 40% and, in addition, at least 47% of all school age children are excluded from regular education. In the period from 1986-87 to 1992-93 total numbers of children receiving education grew from 611,000 to 738,500 (a growth rate of about 5%/year) but, in the same period, success rates for children being examined for accession to the sixth grade (16-17 years age) showed no growth, and remained at about 20% of examinees.

Data from the ESP concerning illiteracy indicates a national average rate of 68%, and corroborates data from the National Demographic and Health Survey ( Enquête Démographique et de Santé') also indicating an average of 68%, while the General Survey on Human Habitat and Population ( Recensement Général de la Population et de l'Habitat') gives an illiteracy rate of 69% for 1988. Illiteracy is higher among older persons (where those over 50 years age are 82% illiterate) and women (82%) than among men (63%). Further, the urban/rural split in illiteracy rates is marked, due to urban areas having social infrastructures favoring literacy.

Regarding national education spending, it is noted that some 96% of the education budget goes, on average, to salary and related payments, while a mere 4% is used for investment and the operation of facilities. It is therefore

unsurprising to note that there are major shortfalls in facilities, equipment and installations which, combined with the competitive advantage' of immediate monetary gain from child labor, discourages attendance and reinforces educational deprivation. Household heads thus tend to use short-term reasoning, and place their children in gainful employment rather than in school. verall, the health and education sectors have been severely penalized by SAP. This is shown by the extremely low amounts of the national budget allocated to these two: for the period 1980-81 to 1990-91 health spending has averaged about 1.8%, while education spending has averaged about 2% of annual State spending. Expressed in constant purchasing power units, real spending in the early 1990s was some 25%-35% below that of 1980. For the year 1998 debt service took some 7% of GDP, while State spending for health and education were respectively some 2.6% and 3.7% of GDP resulting in the single item of debt servicing being greater in national spending terms than the combined education and health budgets, these two being the human capital of the country, and the basis for improving equity or at least in reducing inequality.

#### Modified nutritional and dietary habits

This facet of induced and additional poverty can be traced in the street by the near-disappearance of those human food wastes that were put out for collection and further use as animal feed. This is in no way astonishing but a natural reaction of poorer households to yet more difficult living conditions. Those price rises taking place in the first six months of 1995 and affecting basic food items, in particular rice, showed that downstream social impacts need to be monitored and studied. Having such detailed information to hand, national (and international) decisionmakers would be more aware of those consequences of their decisions. Notable effort to produce this vital information for Senegal in the wake of the CFA Franc's devaluation came from initiatives by the ISRA and PASE organizations, in cooperation with the UPA and following a workshop held in February 1995, to make detailed study of devaluation impacts on food and nutrition. All those basic food items considered by the Senegalese Department of Social Services (DPS) as particularly vital to, and preponderant in poorer persons diets have suffered large price increases since devaluation. Data from the above-mentioned February 1995 ISRA/PASE workshop indicated that in 1993-1994 those basic food items suffering the highest price rises were fish, cereals, and the protein and food oils group eggs-milk-edible fats. Concerning only fish, average prices rose by 53.4%. At the national level we do not have more precise data for those poverty strategies' forced on households by these waves of price increases. However, certain data arising from single and specific surveys is available, for example that from surveys related to ISRA/PASE programs in rural areas, and indicates that surveyed poor households were seriously affected. Their survival strategies' include substitution of millet for rice, overall reductions in cereal foods consumption, human food use of peanut shells and husks (normally used only for livestock), increased use of part-refined vegetable oils from local and unregulated producers. In addition, diet, cooking and eating habits inside the home have, according to certain sources, suffered major deterioration. Results from the above-mentioned surveys indicate reduction of the number of meals eaten, and the weight of food items served per meal. According to the study made by Enda on devaluation impacts on households of deprived and disadvantaged residential areas the following is increasingly observed:

- elimination of milk in the diet;

- elimination of breakfasts in almost all families, with bread rationing in those less affected;

- the preparation of one-only meal per day, with any leftovers being consumed the evening, and reduced utilization of seasoning and lowered rice consumption. Enda also notes that boiled millet porridge is sometimes used as a partial substitute for rice.

Data from a study made by the Urban Affairs Ministry (Ministère de la Ville) in certain quarters of the Dakar urban area show reduction in meat and milk consumption, and reduced health, clothing and education spending.

#### Household survival strategies'

Within poorer households increased poverty has resulted in a certain number of survival strategies, both for food and for health. A study tracing devaluation impacts, made by Enda-TM on sample Dakar households, indicated that many poorer households now shut off water faucets and maintain stored water sufficient only for one day or short periods in an effort to eliminate all waste of water. ther households attempt to make collective connection, with neighbors, to water and electricity services so as to reduce costs and any waste. Yet other households have brought back old food preparation recipes believing these to be less costly, or simply reduce both portions and the number of meals taken per day. ther than the increased burden due to visits to physicians (doctors) being billed at 150 FCA Francs for children (increased from 50), and at 300 FCA Francs for adults (up from 100), the sampled households all reported that it had become almost impossible to purchase the medication prescribed by physicians, their prices rising by about 60% to above 100% of their price before devaluation. By direct consequence, almost all sample households have recourse to medicinal plants and herbs, and try to extend their usage wherever possible. In order to provide some help to such families, Enda-tm has published a series of 40 notices concerning medicinal plants and herbs (preparation, active principles, utilization and dosage). Alongside this survival strategy' based on traditional herbal remedies, another response based on use of illegal and non-standardized medication (studied by Fassin in the Pikine region [1992]) has arisen. Through constituting and rebuilding networks for trade in illegal imported goods, non-approved medication is now imported in large volumes. In the Pikine region about 32 million doses in 1992 were from illegal imports, to compare with officially approved medication in the same region which attained about 3.2 million doses. Poorer households are constrained to use great imagination in order to cut their spending in every way possible. In that which concerns health care, this includes the use of diagnostic services from the modern sector, followed by the use of whatever and cheaper herbal and traditional remedies that are believed to correspond with the physician's diagnosis, or the placing of children in health care at hospitals or clinics, while adults eschew this costly care and use traditional medecine.

#### Poverty in Senegal in the 1990s

In Senegal it has been found that widespread and intense poverty has served as positive feedback to certain economic policies and processes themselves working against wellbeing and progress. Utilizing data from the ESP (for 1992), and the ESAM (for 1995)

Table 1, below, the widespread geographical distribution of poverty is clearly shown. (...)

Source data: Calculations by author using data from ESP for 1992 and ESAM for 1995



Poverty indices used for this study are, for 1992, a threshold revenue of 4,748 CFA Francs/month and per adult-equivalent in a household, this amount being 11,760 CFA Francs in 1995, for which year available statistics give a total of 58% of the population living below the above-defined poverty threshold. Poverty in Senegal is therefore massive, and it is also widespread and fast-growing with the total percentage of the population living with less revenues than the threshold growing from some 33% of total population in 1992, to 58% in 1995. As is shown by the Inquiry on Priority Targets (Enquête sur les priorités) made for the Forecasts and Statistics Agency (Direction de la prévision et de la statistique), some 38.7% of urban households outside the Dakar agglomeration were living with revenues below the threshold of poverty, that is more than one-third of all households. Comparable figures for Dakar show that some 20% of households are below the poverty threshold (one-fifth), but in the rural areas this proportion increases dramatically, to some 80% or four-fifths of all households. Whatever social class we consider it is found that household poverty is very widely spread in Senegal, and in constant increase since the early 1990s. It is found for example that some 23 % of the 7.7 Million inhabitants of the Dakar urban region indicate strong concern about increasing poverty, while Dakar, and other urban regions have only a respective incidence of 8% and 13% of all poor or extremely poor households, while some 78.5% of poor and extremely poor households live in rural areas. However, urban poverty is on the increase, and particularly in the period of 1992-1995.

#### Development and Extension of Poverty in Senegal

The P1 index shows the variation between average spending of poorer households and that of a household at the poverty threshold. For all surveyed households the average gap between their spending, and that for a household at the poverty threshold is about 24%. Relative to World Bank data, indicating a figure of 14% for 1992, this shows an increase of 2.4 times (140%) in a few years. Average revenue shortfalls for households relative to the poverty threshold in 1995 were about 6% in the Dakar region, and about 9% in other urban areas, while this proportion of households increased radically for rural households. In addition the proportion of affected households in rural areas had increased to 35% of all such households from 16.4% in 1992. We may therefore summarize this situation by noting that intensified poverty tends to be transient or relatively less intense in Dakar and other urban areas, while it is deep-rooted, that is structural, and increasing in rural areas. The externally decided shock of major devaluation of the CFA Franc in 1994 was very likely a strong determining factor. As was easy to forecast and from the application of the devaluation decision, prices moved up drastically, by about 32% in a few days, with no corresponding increase in average household incomes. In fact, the Sakho-Loum Plan of 1994 which set out to avoid the IMF-preferred devaluation, included measures such as the following: doubling the equalization tax, extension of VAT to the transport sector, raised gasoline and energy taxes, a levy equal to one day's salary per month and per employee in the private sector, forced loans to the state by all private enterprises, an average reduction of 15% for all salaries in the public sector, and reduced State support to funding of government-related and sponsored entities particularly in the agricultural sector and for retired persons' organizations. The index for the intensity of poverty provides an indication of average income deficit for affected households, showing the deficit of consumption applying to these groups relative to those who are above the poverty threshold, which is set at

143,080 CFA Francs per month. We therefore present data using a percentage figure for these deficits relative to those households with incomes above the poverty threshold. This provides data that is clear and easy to interpret.

The national level average spending by poor households is at about 76% of the poverty threshold. Even with this, however, there are inequalities for example poorer households in the capital region (Dakar) have average incomes and spending of about 96% of the national poverty threshold, while those in semi-urban areas (city fringe) have incomes around 88%, and those in rural areas only 65% of the national poverty threshold. Poverty, therefore, is concentrated in rural areas, and it is also in these areas where extreme poverty is also most widespread. Poverty intensity index This indicator provides data for making further analysis and definition of the extreme poverty phenomena considered in this paper. Results obtained using the P2 index are in no way confounded by those indices on the geographical extension of poverty. Thus, in absolute terms, Dakar has no incidence of households categorized as extremely poor, some 1% of households in other urban areas are categorized extremely poor, and some 11% of rural households are so categorized. The mass of extreme poverty is therefore found in rural areas, and is a rural phenomenon.

#### Distribution of poor households in Senegal

According to the World Bank (1994), some 32 % of Senegalese households are poor or extremely poor. In rural areas some 87% are poor or extremely poor, the national average being 58% of households. Geographical analysis clearly shows the urban/rural divide, with about 17% or all urban households being poor, while those of rural areas exceed 40%. For the 10 administrative of Senegal, six have poverty incidences above the national average. Other than Fatick, Tambacounda and Ziguinchor which benefit from tourist infrastructures, the other regions (Kaolack, Louga and Kolda) are nearly exclusively dependent on agricultural activities and revenues (and fishing in the case of Kaolack). However, these average values conceal major disparities that may be elucidated by administrative regional (départemental) or district-wide studies. While such data provides a view of the breadth and depth of poverty in Senegal they do not allow appraisal of household strategies, or responses to equating revenues and subsistence. Given the extremely low level of revenues in question it is important to include information obtained from mutual and communal aid and assistance organizations and groups, even where such information is not rigorously quantified.

#### Incidence of poverty on a regional base.

At the regional level poverty has various other disparities, variations and forms. Due to the fact that outside the Dakar urban region most administrative regions are heavily rural, poverty tends to be widespread and sometimes extreme. Around 71%-81% of households in regions outside that of Dakar (where it is only 26%) and Louga (66%) have incomes below that of the poverty threshold. In overall affected population terms it is noted that no less than 10% of all poorer households inhabit the Dakar urban area, with Thiès having 16% of the national total, Kaolack some 14%, and the two administrative areas Diourbel and St Louis having some 12% and 11%, respectively, of all poorer households. By total numbers, the lowest incidence is found in the three administrative areas of Ziguinchor, Tambacounda and Louga, with about 7% each.

Table 2: Geographic distribution of poverty using the FGT index, by region (...)

On a regional basis, the intensity or degree of poverty varies. In the regions of Fatick, Kolda, Kaolack, Ziguinchor, Diourbel and Thiès the rates of intensified poverty are respectively 41 %, 35 %, 34 %, 32 % and 28 % of the population living below the national poverty threshold, while on a national basis some 24% of households are found to have total revenues below that of the national poverty threshold. In certain regional centers (Tambacounda, St Louis and Louga) with respective rates of 25 %, 24 % and 18 % there is what can be termed an intermediate' or transitional situation, while in the capital only some 6% of households live below the national poverty threshold. Concerning household spending by the poorest households as a percentage of the national poverty threshold it is found that those regions having the greatest incidence of poor families show average spending, by the poorest families, that is some 60% to 70% below that of the national poverty threshold, while in Dakar the poorest households are able to spend about 94% of the threshold level.

#### Severity of Rural Poverty

The poorest of those living below the poverty threshold, that is those families affected by extreme poverty, are about 12% of total national population and are relatively equally distributed by region, apart from the urban areas of Dakar et Louga where such households make up only 1%-2% of the total population. In relative terms, it is the regions of Kaolack, Thiès and Fatick that are, by order of intensity, the most affected by extreme household poverty, while the Dakar, Louga and Tambacounda regional areas have the lowest relative incidence of extreme poverty. In urban areas poverty takes on a different aspect, being more of an individual, family and household phenomenon, than one affecting entire communities. Further, and while urban poverty may in some circumstances be an adaptive or transitory phenomenon, that is reversible, it is nonetheless gaining ground and intensifying. Urban poverty is typically concentrated in large households, with those of 12 or more persons being much more affected than those of below 8, in Dakar. In addition, these most affected households are usually of low educational level, have precarious employment and unsure revenues. Some 50% of all urban poverty in Senegal is found in the capital, Dakar, while living and housing conditions in the periurban area are increasingly precarious, a situation reinforced by a dearth of employment opportunities, compulsory expulsions (to clear land for new construction) and the heavy taxes applied to lodgment and construction. Irregular and transient habitation, due to evictions and to continuous inward migration and to increasing poverty is now an everyday fact of urban life, and particularly in Dakar. It is noted that makeshift accommodation and shanty towns are often considered as bases and breeding grounds for delinquency and banditry, and this threat to stability is becoming a major concern.

#### Conclusions

The relations existing between debt, structural adjustment programs and household poverty in Senegal are direct. While it is obvious that poverty in Senegal did not arise simply because of SAP applied in that country we can note that it is only after their application that household poverty became a mass phenomenon. We expected that non consideration of social impacts due to SAP would lead to almost general impoverishment, and note that since 1990 the IBRD has changed its rhetoric or policy concepts' regarding development models, and now utilizes the concept of trickle up'. Its Annual Development Report for 1990 was subtitled 'Fighting Poverty' while by 1995 virtually all LDCs found themselves constrained to

introduce programs for poverty alleviation because of that additional impoverishment directly due to applying SAP set by the IBRD and IMF, and proving, if needed, that SAP and impoverishment are synonymous. The question of poverty has become a central theme in the policy mix retained by major IFIs and development institutions (eg. IBRD, UNESCO, UNDP, FA, etc) and by national governments participating in the Intensified Program for Poverty Reduction in Sub-Saharan Africa (operated by these governments and UNDP). Introducing participatory processes has become a major goal of human-oriented development programs and projects, and opens the way to re-oriented and modified third generation' SAP of the present and future. These will palliate market failure to redistribute incomes, operate using participatory procedures where possible, apply principles of good governance (that is transparency), and target ecologically-rational and durable economic progress, the satisfaction of basic human needs and the alleviation of poverty. Here, the role of the State will be primordial for coordinating and managing action programs (see the IBRD World Development Report for 1997 for discussion of the State's role in an emerging and changing world economic context). The central question however remains how the management and coordination capacities of the State, both centrally and locally, can be reinforced at the same time that the private sector grows.



## 2 > Worldwide Social Court

At the beginning of the 21st century the world has never had so many resources to build up a fair and balanced society and yet has never been so unfair and cruel. Food production is sufficient to feed 12 billion people - twice as much as the world's population - but over 840 million people starve every day. The technological resources have never been so advanced, as well as the wealth generated, but practically a whole continent - such as Africa - suffers setbacks in its life standards, is decimated by curable or controllable diseases and no international body performs any drastic action to save it. Trillions of US dollars flow through the stock exchanges around the world while there is lack of resources for the southern countries of the world to have sanitation, education, health and residence barely decent for their people.

This is the great dilemma of the new century: how to better distribute the existing wealth, how to create the assets required by the human kind to live in conditions which are minimally suitable to today's possible standards of civilizations, how to assure the right to life and dignity for the majority of the human kind which has no access to it.

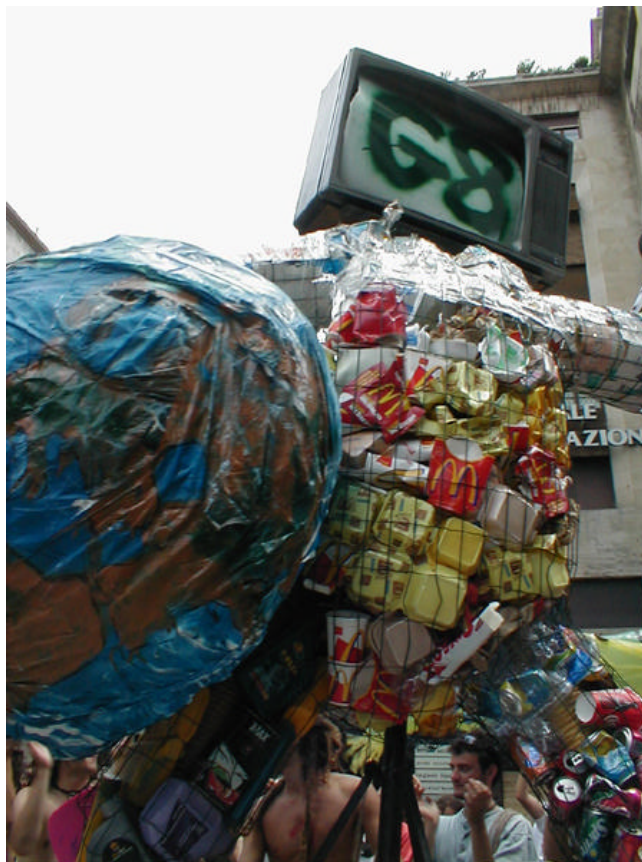
The market mechanism are responsible for the unfair world we live in. which has been converted into regulatory centers of the people's life, distributes resources where there is already wealth to obtain them, thus increasing more and more the worldwide inequality. The reduction of the strength of the public features of the States and of the international offices, which were supposed to undertake them, stresses the unequal and excluding nature of the current world.

In turn, the complete commercialism of our societies prevents affirmation of the universality of legal rights. The market does not recognize rights, and replaces them for the power of money that buys everything.

However the world has never been so affected by conflicts which without decision mechanism find in wealth, military power and monopoly of the means of communications its forms of solutions - unfair and arbitrary. The north-American hegemony in the world is the higher expression of this kingdom of money, monopoly and prepotency. The United States of America have proclaimed themselves the judges of the world and, even though they refuse to execute some of the main civilizing treaties of the world - such as those against the use of land mines, the limitation of the emission of carbon monoxide in the atmosphere or the International Court against genocide and war crime - they deem themselves to be the standard of what would be good and fair for the whole humankind.

In summary an unfair world is evidenced by the absence of justice. Countries and people are bombed, boycotted, humiliated, in spite of decisions of the United Nations in contrary. Privileges are legitimated by offices such as the World Trade Organization (WTO) in favor of the rich countries and against the poor ones.

A new reading of the Universal Declaration of Human Rights - approved more than half a century ago by the General Assembly of the United Nations - would be enough for us to gain conscience of the world we live in. Any analysis of the existing conflicts - whether military or commercial - or of the United Nations human development statistics reveals that not only there is no justice and fraternity in the current world, but there are no international offices struggling and guaranteeing the universal rights defined



### In Favor of a Worldwide Social Court

It is impossible to bear any longer the impunity of the economic and social crimes, which are converting the Universal Declaration of Human Rights in dead words. In order to defeat this, we are implementing, in all continents, a move in favor of the constitution of the Worldwide Social Court. It is necessary to constitute an International Criminal Court we are committed to fight for; and impose limitations to the financial markets, starting with the Tobin Tax; it is also necessary to allow the societies to judge those who violate the United Nations' Charter, so that such social illicits stop being repeated.

By Joaquim Palhares

Genoa Social Forum—Jul 2001

Original document:  
<http://attac.org/genes2001/documents/docgsf.htm>



Where is the recognition of the intrinsic dignity and of the equal and inalienable rights of all members of the human family?

Where is the "appearance of a world where the human beings, released from fear and misery, enjoy the freedom of speech and belief"?

Where is the "development of friendly relations between nations"?

Where are the equal rights between men and women, and the promotion of the "social progress and improvement of the standards of living within a wider concept of freedom"?

Where is the world in which "all human beings are born free and equal in dignity and rights and, equipped as they are with reasoning and conscience, must behave brotherly in relation to the other"?

Where is "the person's right to life, freedom and safety"?

Where is "the right, in all places, to the recognition of its legal personality"?

Where is the world in which "all men are equal before the law and have, without distinctions, equal right to legal protection"?

Where is the world in which "all people have the right to go freely and choose their residence in one State's territory"?

Where is the world in which "all people are entitled to leave any country, including his own, and return to his country"?

Where is assured that "all persons are entitled to nationality" and to "change nationalities"?

Where is guaranteed that "all persons are entitled to property, both individually and collectively"?

Where is the right to "freedom of thoughts, conscience and religion"?

Where is the right to the "social security" and to the "satisfaction of the economic, social and cultural rights" which are mandatory to one's dignity and free development of one's personality"?

Where is the guarantee of "the right to work, to the free choice of work and equitable and satisfactory labor conditions and protection against unemployment"?

Where is the right of "every persons who works to be entitled to an equitable and satisfactory compensation, which may assure for himself, as well as for his family, according to human dignity, and which shall be completed, if necessary, by any other means of social protection"?

Where is the guarantee of the "right to constitute unions and become members of them to defend its interests"?

Where is the guarantee "to rest, to the enjoyment of the free time, a reasonable limitation of the work duration and periodic paid vacations"?

Where is the world in which there is the right to appropriate living conditions, assuring health and welfare, and especially food, clothing, housing, medical assistance and necessary social services for the employment, sickness, disability, loss of spouse, old age or other cases of loss of their subsistence means due to circumstances independent of his will"?

Where is the assurance to the "right to education", which

"must be free, at least in the basic elementary courses", as well as the "equal access to superior studies, according to their corresponding merits"?

Where is the "right to the establishment of a social and international order in which the right and freedoms inserted in this Declaration are fully effective"?

We are determined to face the unfair order which more and more concentrates wealth, moves the wealth more and more away from those who generate them, submits them more and more to a life marked by barbarism, while it allows a handful of individuals and corporations to accumulate an ever growing and absurd wealth.

We are also convinced that certain political decisions, adopted by multilateral governments or offices, have an actual criminal nature. Unnecessary and punitive commercial embargoes against poor nations have caused the painful death of thousands of people, who have no access to medicines. Hospital equipment and food. In other areas, the "structural adjustment" policies imposed from abroad dismantle public services which would be essential to assure school, housing, drinking water, sanitation, health, education, employment and environmental protection.

In a world where the markets have become international, the societies also have the right of constituting global political and judicial offices, so that crime can be judged. These must have a perfect legal character: allowing a wide right of defense and be organized according to the most advanced rules of the International Law. The proceedings must be conducted observing the rules under the principle of the due process of law and also concerned its disclosure.

It is impossible to bear any longer the impunity of the economic and social crimes, which are converting the Universal Declaration of Human Rights in dead words. In order to defeat this, we are implementing, in all continents, a move in favor of the constitution of the Worldwide Social Court. It is necessary to constitute an International Criminal Court we are committed to fight for; and impose limitations to the financial markets, starting with the Tobin Tax; it is also necessary to allow the societies to judge those who violate the United Nations' Chart, so that such social illicit stop being repeated.

In order to implement a world ruled by the principles listed in this Chart, we launch together this campaign. It is time to sue and judge, based in these principles, the acts performed by public or private law entites and individuals against human beings, preventing the construction of a fair and solidary world. It is time to constitute the Worldwide Social Court, observing the regulatory and operational criteria that will be constituted by the entites and persons participating in this campaign.

# 3 > Basic Human Needs

The Universal Declaration of Human Rights (Article 25) states that "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services (...) Everyone has the right to education, to work and to social security".

The International Pact for Economic, Social and Cultural Rights, ratified by the majority of UN member states, stipulates that "States have a right and a duty to draw up appropriate national development policies to constantly improve the welfare of the population as a whole and of every individual, on the basis of their free, active and meaningful participation in development and the fair distribution of the profits thereof."

The UN Committee for Economic, Social and Cultural Rights interprets the obligations of the Pact as follows: "A member State in which a large number of individuals are deprived of basic foods, primary healthcare, decent clothing and housing or elementary education, is not fulfilling its obligations as laid down by this Pact."

Despite this, and the fact that total world wealth has increased eightfold since 1960, at the present time one in two human beings lives on less than two dollars a day, one in three has no access to electricity, one in four lives on less than a dollar a day, one in five has no access to clean drinking water, one in six is illiterate and one in seven adults and one in three children suffer from malnutrition.

The United Nations Development Programme (UNDP) and UNICEF estimate that 80 billion dollars a year for ten years would be enough to guarantee to every human being living on this planet access to basic education, basic health care, adequate food, drinking water and sanitation, and for women, gynecological and obstetric care.

80 billion dollars represents about four times less than the sum repaid on its external debt by the Third World; it's about a quarter of the US Defence budget; 9% of world military expenditure; 8% of what is spent annually on publicity worldwide; half the cumulated wealth of the four richest people on the planet<sup>1</sup>. Present day misery could be transformed with such wealth ...

The laws of the market and profit cannot be expected to satisfy essential needs. The 1.3 billion people deprived of clean drinking water and the 2 billion anaemics do not have enough purchasing power.

Only resolute public policies can ever guarantee the fulfilment of basic human needs for all. This is why the public authorities must have at their disposal the political and financial means of honouring their obligations towards their citizens.

The latter must also be able to exercise fully their right to play a central role in the political life of the State. To bring that about, efficient judiciary mechanisms and economic policies must be implemented in a dynamic of participative democracy. The example of a participative budget as practised in Porto Alegre since the early 90s should be adopted on a worldwide scale and inspire original policies of radical democracy.

The application of the Universal Declaration of Human Rights and the International Pact for Economic, Social and Cultural Rights has to be backed up by a powerful



## Guarantee the fulfilment of basic human needs for all and get out of the vicious circle of debt.

Here's a contribution proposed by the CADTM/COCAD (Committee for Cancellation of the Third World Debt - COCAD, CADTM in French-) to the struggle for the abolition of the third world debt and for the implementation of alternatives to neoliberalism at a world scale. That's a new version of a document elaborated at the beginning of 2001. It's a part of the common preparation of the alternative activities to the G7+1 Genoa summit of July 2001, the the World Bank and IMF annual assembly of end september in Washington, the WTO meeting in Qatar beginning of november. This document is not ambitious, it is a complement to various important contributions elaborated by different international networks as ATTAC, Via Campesina, Focus on the Global South, le Forum Mondial des Alternatives, World Women March, Jubilee South... or adopted at big international meetings like those at Saint Denis (June 1999), Bangkok (February 2000), Geneva (June 2000), Dakar (December 2000) and Porto Alegre (the social movements' declaration in the World Social Forum in January 2001).

By Eric Toussaint – Arnaud Zacharie

Translation: Vicki Briault

Original document with footnotes and bibliography:  
<http://attac.org/genes2001/documents/docdet5en.htm>

Firstly, the haemorrhage of wealth represented by debt repayments has to be stemmed. Next, different sources of funding must be found for socially just and ecologically sustainable development. Finally, we must break away from the old logic which leads to the cycle of indebtedness, to embezzlement and large-scale pillage of local wealth, and to dependence on the financial markets and condition-laden loans of the international financial institutions.

#### 1. Breaking the infernal cycle of debt

The champions of neo-liberal globalization tell us that the Developing Countries (in which they include Eastern Europe) must repay their external debt if they wish to benefit from constant flows of funding.

In fact, ever since the debt crisis in 1982, the flows have been going from the Periphery to the Centre, and not the other way as the leaders of the international financial institutions would have us believe. In the last two decades, there has been a massive net transfer of wealth from the Periphery to the Centre. The added mechanism of debt repayment has become a powerful support to those previously in operation (unfair trading, exploitation of natural and human resources, the brain drain, repatriation of profits to the parent company, etc.) Since 1982, the populations of the Periphery countries have sent their creditors the equivalent of several times the Marshall Plan<sup>2</sup>, (with the local capitalist elite skimming off their commission on the way).

The Marshall Plan (1948-1951) was the brainchild of the US President Harry Truman's administration under the name of the European Recovery Program. It was later to be known by the name of the Secretary of State at that time, Georges Marshall (who was Chief of General Staff from 1939 till 1945), charged with implementing it. Between April 1948 and December 1951, the United States granted aid worth 12.5 billion dollars, in the form of loans to sixteen European countries. The Marshall Plan's aim was to facilitate the reconstruction of a Europe devastated by World War II.

Considering that the equivalent of 1 dollar in 1948 would be 6.28 dollars in 2001, the cost of the Marshall Plan in 2001 would be 78.5 billion dollars. If all debt repayments made by the Third World in 1999 are taken into account, i. e. 300 billion dollars (Source : World Bank, GDF, 2000), they would have paid their industrialized country creditors the equivalent of about 4 Marshall Plans that year alone. By the same token, since 1980, 43 Marshall Plans (more than 3.450 billion dollars) have been sent to the creditors of the Centre by the peoples of the Third World.

It has become urgent to adopt the opposite view from that of official discourse: the Third World's external public debt must be cancelled. Close scrutiny reveals that the Third World debt is slight compared to the historic social and ecological debt owed it by the rich Northern countries. In 2001, the Third World debt (former Eastern bloc countries not included) comes to about 2100 billion dollars (of which about 75% is public debt), merely a small percentage of the world debt which comes to more than 45 000 billion dollars. (The total sum of public and private debt for the USA alone comes to 22 000 billion dollars).

If the Third World's external public debt were to be entirely cancelled without indemnifying the creditors, it would be a paltry loss of barely 5% in their portfolios. On the other hand, to the populations liberated at last from the burden of debt, those sums, which could be used to improve

health and education, create jobs, etc., would mean a lot. Indeed, the repayment of the Third World's external public debt represents, on average, expenditure of about 200-250 billion dollars a year, that is about 2-3 times the amount required to satisfy basic human needs as defined by the United Nations.

Some claim that debt cancellation leads to permanent exclusion from access to international capital. No serious study of the history of debt crises underlies this claim.

Between the end of the 18th Century - when the United States of America cancelled their debt towards the British Crown - and the end of the 20th Century - the cancellation of part of Poland's debt in 1991 - numerous measures of debt-cancellation have been taken, with no adverse effects on the availability of external private finance.

On the contrary, historical precedent for debt-cancellation has shown its advantages. Take, for instance, the cancellation of 51% of Germany's war debt in 1953, which made a significant contribution to German economic recovery.

Other historical precedents exist: the Russian State debt in 1918, the war debts of the United Kingdom and France, the debts of the South American states after the 1929 Wall Street Crash, etc. All those countries experienced considerable economic development after the cancellation measures.

Furthermore, the threat means nothing to most Third World countries, which have had hardly any access to that capital for years. The UNDP states that "only 25 Developing Countries have access to private markets for bonds, commercial bank loans and portfolio investments" (UNDP, 1999, p31). Note that the UNDP includes the East European states in the 25 countries mentioned and that the total number of Developing Countries, as they define them, is 180.

According to the United Nations, in 1999 the 48 Least Developed Countries (LDC), with their nearly 600 million inhabitants, received only 0.5% of Foreign Direct Investments (FDI) destined for Developing Countries (DC). Indeed, the DC's share of FDI has been in constant decline over the last three years - while the rich countries get 80% of these flows.

For the handful of Third World countries with access to international capital (4 countries - China, Brazil, Mexico and Thailand - received more than 50% of FDI flow in 1998), 80% of Foreign Direct Investment input is accounted for by the acquisition of pre-existing businesses taken over by multinationals of the most industrialized countries<sup>3</sup>. This does not result in job-creation, quite the opposite.

Furthermore, these acquisitions imply a loss of national control over the productive infrastructure. Not to mention the highly volatile and speculative nature of the other capital flows (which is one of the lessons of the financial crises of the 90s).

Restricting this type of flow would do no harm to the economies of these countries. We propose replacing these unproductive, even damaging, flows by alternative sources of funding (see the second part of this text), so as to significantly reduce dependence on financial markets and the Bretton Woods institutions.

#### The Judicial Basis for Debt Cancellation

Debt-cancellation is all the more legitimate that it can be justified by several legal arguments, including the notions of "odious debt" and "force majeure".

## Odious Debt

State debts contracted against the interests of local populations are judged unlawful. According to Alexander Sack, who theorized this doctrine, "If a despotic power contracts a debt not in accordance with the needs and interests of the State, but to strengthen the despotic régime, to repress the population who are combating it, this debt is odious for the population of the whole State. This debt is not an obligation for the nation: it is a régime's debt, the personal debt of the authorities which contracted it; consequently, when the régime falls, the debt becomes null and void." (Sack, 1927).

Thus, debts contracted against the interests of the population of the indebted territory are "odious" and, in the case of a change of régime, the new authorities are not held to repay them.

The notion dates back to the end of the 19th Century when the United States gained control of Cuba after a war with Spain. The latter demanded that the victor take on the Cuban debt towards the Spanish Crown, in accordance with international law. The United States Negotiating Commission refused to do so on the grounds that the debt was "a burden imposed upon the Cuban people without their consent".

The Commission argued that "the debt was incurred by the Government of Spain for its own interests and by its own agents. Cuba had no say in the matter." The Commission added that "the creditors accepted the risk of their investments".

Later, in the 'thirties, an international Court of Arbitration in which Judge Taft, President of the United States Supreme Court, took part, declared that loans made to President Tinoco of Costa Rica by a British bank established in Canada were null and void since they had not served the country's interests but the personal interest of a non-democratic government. On this occasion, Judge Taft declared that "The case of the Royal Bank rests not simply upon the form of the transaction, but upon the bank's good faith at the time of the loan for the effective use of the Costarican government under Tinoco's régime. The Bank must prove that the money was lent to the government for legitimate purposes. It has not done so." (Judge Taft, quoted in Adams, 1991, p.168).

The legal régimes (recognized lawful governments) which followed the dictatorships of South America in the 80s (Argentina, Uruguay, Brazil, etc.) should have drawn upon international law to have their odious debts cancelled. A large portion of these countries' loans were directly embezzled by the local élites with the collusion of the Northern banks, who used their financial know-how to help them effect their fraudulent operations.

To give just a few more flagrant examples: the same happened in the Philippines after the overthrow of the dictator, Marcos, in 1986; in Rwanda in 1994 after the genocide perpetrated by its dictatorial régime<sup>4</sup>; in the Republic of South Africa as it emerged from Apartheid; in the Democratic Republic of Congo in 1997 when Mobutu was overthrown; in Indonesia in 1998 when Suharto left power, etc.

Instead of making use of national and international law to refuse to acknowledge debt, those newly in power prefer to negotiate with their creditors to reschedule repayments or make cosmetic reductions. Once they are sucked into the interminable cycle of external debt, it is their populations who bear the cost.

This system of creating dependency has to be brought to an end. Full support must be given to the social and citizens' movements in Developing Countries which call on their governments to repudiate the external public debt and stop repayments.

## "Force majeure"

Another means provided by the law of supporting debt cancellation and stopping repayments is to use the argument of "force majeure". This principle of international law<sup>5</sup> acknowledges that a change in the conditions of a contract may render it invalid. This means that contracts requiring the fulfilment of a succession of future commitments are subject to the condition that the circumstances should remain unchanged. (In Common Law, there are several doctrines based on a similar principle, including "force majeure" (circumstances beyond one's control), "frustration", impossibility and "non-feasibility".)

"Force majeure" quite clearly applies to the debt crisis of the 80s. Indeed, the fundamental causes of the debt crisis from 1982 were two exogenous factors: the dramatic rise in interest rates imposed worldwide by the United States government from the end of 1979, and the drop in export prices for the Periphery countries from 1980 on. Both these factors were instigated by the creditor countries. They are cases of "force majeure" which fundamentally modify the situation and prevent the debtors from fulfilling their obligations<sup>6</sup>.

## 2. Extra resources to finance development

For debt cancellation to serve the purpose of human development, obviously the money previously ear-marked for debt repayment needs to be paid into a development fund, under the democratic control of the local population. However once this first step of debt cancellation has been taken, the present economy based on international indebtedness must be replaced by a model which is both socially just and ecologically sustainable, and independent of the fluctuations of the money markets and of the loan conditionalities imposed by the World Bank and the IMF.

This development fund, already supplied with money saved through debt cancellation, must also be financed by the following measures:

Restitution of stolen property to the citizens of the Third World: the considerable wealth illicitly accumulated by the ruling authorities and local capitalists has been deposited securely in the most industrialized countries with the active collusion of private financial institutions and the tacit agreement of the Northern governments (the practice continues to this day).

Take, for example, Argentina under the military dictatorship (1976-1983): this country's debt was increased sixfold. A large part of the money borrowed was deposited by members of the régime in banks in the USA, Great Britain and other industrialized countries. Financial and industrial firms in the industrialized countries as well as members of successive Argentine governments thus became rich through illegal means. The Argentine judiciary established the facts in the course of a trial which took place in July 2000. The collusion of the IMF and the New York Federal Reserve was proven. On the basis of the judgement passed, which should set a legal precedent, the populations thus robbed should be able to get compensation.

Imagine, for example, what it would mean to the population of Argentina to recover the money deposited made by the military dictatorship (1976-1983) in the most industrialized countries, imagine what the return of a large part of

the late President Mobutu's fortune (equivalent to ten times the Democratic Republic of Congo's annual national budget) would mean to the Congolese people, or to the population of Nigeria if they could recover the fortune of the dictator Abacha, safely invested in Switzerland with the collusion of Citibank and Crédit Suisse. To operate such retrocession implies the completion of legal proceedings in the Third World countries and the most industrialized countries. Such investigations would necessitate full international co-operation and the ratification of the Convention of Rome of March 1991 which deems the misappropriation of public property to be a human rights violation.

Among other things, they would serve to ensure that people guilty of corruption do not get off scot free. This is the only hope, if one day democracy and transparency are to triumph over corruption. Further action would be to support the resolutions made at the international meeting held in Dakar in December 2000 (From Resistance to Alternatives) demanding compensation for the pillage which the Third World has been subject to over the last five centuries. This includes the restitution of economic and cultural property stolen from the Asian, African and South American continents.

Tax financial transactions: initially proposed by the 1972 Nobel prize-winner for Economics, James Tobin, this idea was taken up by other economists, then by the international network, ATTAC (Association for the Taxation of Financial Transactions for Aid to Citizens). Such a tax would liberate considerable sums of money for development.

UNCTAD (United Nations Conference for Trade and Development) calculates that 1000 billion dollars a day taxed at 1% would produce 720 billion dollars a year. As a working hypothesis, they propose splitting it in two: \$360 billion for a social and ecological fund in the countries where the transactions took place, and \$360 billion for a redistribution fund for the countries of the South (for health, education, etc.). The two funds would be managed by mixed boards of directors representing civil society and governments. As for ATTAC's international platform, it suggests a tax of 0.1% bringing in some 100 billion dollars annually, which could be used to combat inequality, and to provide public health and education services, food security and sustainable development. Obviously, it is impossible to calculate exactly how much such a tax would raise, since it depends on the rate of the tax and the volume of financial flows.

However, in view of the globalization of markets which has been operating since Tobin's initial proposal (and especially the development of derivative products bridging all the gaps between markets), it would seem necessary to tax all financial transactions (shares, bonds, hard currency and derivatives), so that operators cannot dodge this solidarity tax by turning to other markets. Centralized computerization of clearing operations, through clearing houses such as the SWIFT for the exchange market, makes the application of such a tax perfectly feasible.

Raise Official Development Aid to at least 0.7% of the GDP: the present level of Official Development Aid (ODA) does not balance out the negative effect of debt repayment.

First, it should be pointed out that a significant part of ODA is constituted of loans to be repaid. Next, in 1999, the grand total of ODA did not exceed 50 billion dollars, i. e. about five times less than the amount repaid by the Third World in external debt servicing.

In 1999 ODA represented a mere 0.24% of the Gross Domestic Product of the most industrialized countries, despite their commitment, frequently reiterated within the framework of the UN, to reach the objective of 0.7%. In fact, ODA fell by 33% between 1992 and 1998, in scandalous contradiction of promises made in Rio (1992) by the Heads of State of the industrialized countries.

Taking the present average of 0.24%, ODA must be multiplied threefold to fulfil the commitments made. Considering that ODA represents a little under 50 billion dollars, if it is multiplied by three, it should reach 150 billion dollars a year which should be entirely paid out as donations (as compensation, and no longer, as is too often the case, in the form of loans).

Levy an exceptional tax on the estate of the very wealthy: in its 1995 report, UNCTAD suggests levying a single, exceptional tax on the estate of the very wealthy. Such a tax levied throughout the world would mobilize considerable funds. This exceptional tax (unlike a recurrent tax on property such as exists in many countries round the world) could be levied on a national scale. A one-off solidarity tax of, say, 10% on the property of the richest tenth in each country could generate very considerable internal resources.

More generally, what is needed is to gravitate towards a truly redistributive system of taxation, which would enable the authorities to fulfil their obligations towards their citizens in terms of economic, social and cultural rights.

### 3. A new development strategy

Instead of the present development strategy, which consists of the creditors forcing Southern countries to adopt neo-liberal type adjustment programmes, an endogenous and integrated development strategy should be embraced. The change would be implemented in three stages:

End Structural Adjustment Policies: Structural Adjustment Programmes (SAP) result in the weakening of States by making them more dependent on external fluctuations (world market movements, speculative attacks, etc.) and by subjecting them to conditionalities imposed by the IMF/World Bank duo backed up by the governments of the creditor countries grouped within the Club de Paris.

SAPs deliver up the economies of the Third World to the appetites of the great multinational firms. Far from solving the problem of indebtedness (the Third World debt has quadrupled since the first SAPs were set up, even though it has been repaid six times over the same period), they entail massive redundancies and drastic cuts in social budgets. They prevent any real human development.

The UN Human Rights Commission<sup>7</sup> has repeatedly adopted resolutions concerning the debt problem and structural adjustment. In a resolution adopted in 1999, the Commission states that "For the population of an indebted country, the exercise of their basic rights to food, housing, clothing, work, education, medical care and a healthy environment may not be subordinated to the application of Structural Adjustment Programmes and economic reforms generated by the debt." (1999, Art.5).

The UN Secretary General, for his part, writes that "The UN Special Investigator on Structural Adjustment clearly shows that Structural Adjustment Programmes, recommended by the international financial institutions, have a patently negative influence (directly and indirectly) on the fulfilment of economic, social and cultural rights and are incompatible with the fulfilment of those rights." (UN, Se-



cretary General, 1995, p.66, quoted by Chris Jochnick, 2000, p.136).

Furthermore, according to the UN, certain conditions fixed by the creditors and the funding agencies constitute a violation of the right to self-determination of the populations concerned: "Every country has a sovereign right to dispose freely of its natural resources for its economic development and the welfare of its people; any measures or external economic or political pressures which are brought to bear against the exercise of this right is a patent violation of the principles of self-determination of peoples and of non-intervention as stated in the UN Charter (...) Those measures include economic pressure aimed at influencing another country's policies or at controlling the main sectors of its national economy. Economic and technical assistance, loans and the increase of foreign investments must be provided without the imposition of conditions which go against the interests of the receiving country." (Secretary General 1995: 165, 171, 173).

The human consequences of Structural Adjustment Programmes are incontestably negative. They must therefore be stopped.

Adopt partly self-based development models; such models entail constructing sufficiently solid internal economic foundations to allow the country to open up to international trading.

This type of development involves creating politically and economically integrated zones, bringing to bear endogenous development models, strengthening internal markets, creating local savings funds for local financing, developing education and health, setting up progressive taxation and other mechanisms to ensure the redistribution of wealth, diversifying exports, introducing agrarian reform to guarantee universal access to land for small farmers and urban reform to guarantee universal access to housing, etc.

Today's global architecture, structured on the idea of a "Periphery" which is forced to provide raw materials and cheap labour to a "Centre" that has all the technology and capital, must be replaced by regional economic groupings. Only such self-based development would allow South-South relations to emerge, which is the condition sine qua non for the economic development of the Third World (and therefore, by extension, the world). These integrated zones could establish regional authorities with powers of economic and social regulation.

Act upon trading practice: the existence of unfair exchange between the most industrialized countries and those of the Third World is one of the fundamental causes of the latter's indebtedness. Unequal exchange creates a structural deficit in the balance of payments: imports grow faster than exports, leading to indebtedness.

The historical tendency to downgrade the terms of exchange must be brought to an end. To do this, mechanisms guaranteeing a better price for the basket of products exported on the world market by Developing Countries must be introduced. (These might include stabilizing the prices of raw materials, building up regulatory stocks - which means doing away with zero stocks, etc.)

As long as no such concerted mechanisms are in place, the Developing Countries' efforts to establish cartels of producer countries must be actively encouraged. The creation of such cartels could simultaneously result in a reduction of the quantities exported and an increase in export revenues that the beneficiary countries can reinvest in development. The countries of the Periphery must

have access to protection measures for their local production.

Concerning agriculture, Via Campesino is right in demanding that the right of each country (or group of countries) to nutritional autonomy and self-sufficiency in staples be recognized. This implies protection measures for imports, in total opposition to the minimal agricultural export quota of 5% imposed by the WTO on member countries.

The rules of global trading must be subordinate to strict environmental, social and cultural criteria. Health, education, water and culture can have no place in the field of world commerce. Public services in the general interest are a guarantee of fundamental rights and as such must be excluded from the General Agreement on Trade and Services (GATS).

Furthermore, the Trade-Related Intellectual Property Rights (TRIPs) agreement should be abolished, aspects of which allow the North to appropriate the rich natural resources of the South and prevent the Southern countries from freely producing goods (such as medicines) to satisfy the needs of their populations.

#### 4. New rules of good financial practice

The repeated financial crises of the 90s proved by their absurdity that there can be no sustainable development without strict controls of capital movements and tax evasion. Several strategies are therefore required to subordinate the money markets to the fulfilment of basic human needs.

Re-regulate the financial markets: the deregulation of the money markets has led to the inordinate development of financial speculation.

It is time to re-regulate the money markets, beginning by establishing a means of tracing all financial operations (to determine who does what and for what purpose), then regulating accordingly.

Control capital movements to avoid the devastating effects of the remorseless ebb and flow of international capital.

Article VI of the IMF Statutes explicitly recognizes the merits of a government adopting measures to control capital movements. The article permits a member country of the IMF "to exercise strict supervision of international movements of capital in order to regulate them<sup>8</sup>".

An appropriate measure would be to establish a temporary obligatory deposit, whereby every capital entry would be conditional upon an accompanying deposit for one year of 30% of the sum invested. After a year, the deposit would be returned to the investor (encouraged to invest only in the long term). The deposit would not earn any interest.

Numerous other control measures exist, for example the obligation to hold shares and bonds for a minimum of one year before selling them on, the limitation of currency exchange to commercial transactions (excluding financial operations), heavy taxation in the case of excessive fluctuation (as proposed by the economist Bernd Spahn), etc.

Eliminate tax havens which contribute to inflating the financial bubble and weakening the legitimate economies (between 500 and 1500 billion dollars are laundered each year). To effect, this, States must use the clearing houses to identify transactions originating from tax havens and tax them heavily, to counteract any advantage to be got from such dishonest fiscal policies. At the same time, bankers'

◀◀ 3 rule of secrecy should be removed to combat tax evasion, embezzlement of public funds and corruption more efficiently.

Adopt rules to ensure the protection of countries which have recourse to external loans: external indebtedness may be justified if decided democratically by the countries concerned. However the use the borrowed money will be put to must be organized according to principles radically different from those that have hitherto prevailed.

Two new principles must be adhered to. First, a "reverse" conditionality: the obligation to repay and pay interest on these loans, made at low rates of interest and below market conditions, will only be valid if the debt is proven to have enabled sufficient creation of wealth in the countries concerned. Second, the lender countries should organize strong and efficient protection for the Developing Countries on an international scale, to enable the latter to defend themselves against all forms of abuse and despoilment by banks, private international investors or the international financial institutions.

#### 5. Further indispensable measures

Cancelling Third World external public debt, abandoning Structural Adjustment Policies and implementing the other measures proposed above will not alone suffice to guarantee real human development for the populations of the Periphery. Further measures are indispensable, the first of which should be equality between men and women and the right to self-determination for indigenous peoples. This text does not seek to be exhaustive and further measures are the subject of documents produced by various networks and international organizations such as ATTAC, COCAD, Via Campesina, Focus on the Global South, le Forum Mondial des Alternatives, la Marche Mondiale des Femmes and Jubilee South or adopted at big international meetings like those at Saint Denis (June 1999), Bangkok (February 2000), Geneva (June 2000), Dakar (December 2000) and Porto Alegre (the social movements' declaration in the World Social Forum in January 2001).

■ 3

## 4 > IMF and World Bank

### World Bank Nervous over Growth of Bond Boycott

By Todd Tucker and Neil Watkins

Todd Tucker is an organizer with the US World Bank Bonds Boycott campaign and Neil Watkins is the campaign's coordinator.

SAND IN THE WHEELS (n°88) ATTAC Weekly newsletter - Wednesday 04/07/01

The World Bank Bonds Boycott marked its one-year anniversary in April 2001 with an announcement that nearly 30 entities throughout the U.S., including city governments, trade unions, churches and investment firms, have committed not to buy World Bank bonds. Officials at the World Bank are getting the jitters.

Among the new institutions that have made the commitment in just the past few weeks are the American Federation of Government Employees (AFGE), the International Longshoremen Workers Union (ILWU), and the Unitarian Universalist General Assembly.

These new institutions join the international unions of Communication Workers of America (CWA) and United Electrical Workers (UE); the cities of San Francisco, Oakland, Berkeley, and Takoma Park, MD; the religious communities of the New York Province of the Marianist Brothers and Priests, and the School Sisters of Notre Dame; the Central Labor Councils of San Francisco, Alameda County, and Northeast Indiana; and various union locals including SEIU Local 250 and United University Professions (the largest AFT affiliate with 24,000 members).

Also this spring, the student governments at Clark University and the School of the Art Institute of Chicago (SAIC) passed resolutions encouraging their administrations to adopt the boycott.

Said Takoma Park city council member Marc Elridge, "If we're spending our money, we ought to have something to say about how it's used. And it should not be used to support policies that we wouldn't support in our own country."

The World Bank is becoming increasingly concerned about the growing campaign. Calvert Group's statement of policy against buying Bank bonds caused the Bank to be concerned that the growing campaign might endanger its 'AAA' bond rating, and similar resolutions more recently from Harrington Investments, and L.L. Blake and Associates have enhanced that fear. High-level Bank staff have lobbied city councils against passage of a resolution in Madison, Boulder, and Los Angeles. Moreover, we have heard that the boycott is encouraging liberal Bank staff to move the Bank in a more sustainable direction on some issues, out of fear that the challenge presented by the boycott will grow. Bank staff have referenced the boycott as a reason to develop quickly, for example, a more "green" procurement policy.

As the campaign grows in the U.S., so it is growing around the world. Social movements in Pakistan, Honduras, Italy, and Senegal have recently joined others in Asia, the Americas, and Africa that are already working on the boycott. The group Action for Solidarity, Equality, Environment and Democracy (ASEED) is planning a Europe-wide launch of the boycott this summer.



### IMF and World Bank

Here are three articles published in the Sand in the Wheels related to International Monetary Fund and the World Bank.

- 1- World Bank Nervous over Growth of Bond Boycott
- 2- Why We Must Open the Meetings of the IMF and World Bank Boards
- 3- Demands of the IMF & World Bank: 2001

Newsletter Archives:  
<http://attac.org/listen.htm>

The World Bank Bonds Boycott demands an end to structural adjustment programs and similarly harmful lending practices; 100% cancellation of debts owed to the World Bank without using citizens' tax dollars; and an end to environmentally destructive project lending, such as for oil, mining, and gas projects.

The campaign works this way: the World Bank gets about 80% of its money through the sale of bonds (listed under the name 'International Bank for Reconstruction and Development'). Large institutional investors, including unions and their pension funds, city and state governments, universities, churches, and mutual fund investors, are potential buyers of World Bank bonds. The campaign works to get these types of investors to adopt resolutions against buying the bonds in the future. The boycott hits the Bank at its twin Achilles' heels: its public image and its financing. The World Bank is trying to repaint itself as an institution that promotes social welfare. But the reality is that the Bank continues to push policies like user fees on health care, privatization of essential services like water provision, and policies that suppress workers' abilities to organize and raise their standard of living. The boycott demands an end to these policies, which place corporate rights over human rights.

#### Acting Locally for Global Justice: Genoa and Beyond

People across Europe are making plans to come to Genoa, Italy and protest at the G-8 summit to be held there. Activists around the world have been pressuring President George Bush and others to in turn use their influence at the World Bank and IMF to write off 100% of the debts of Global South (and East) countries, while they are in Genoa. In the US and beyond, people are making plans to come to Washington for the summit and mobilization that is being planned from September 28 - October 4, 2001 at the time of the Annual Meetings of the IMF and World Bank.

Simultaneously, people's initiatives for economic justice in communities around the world, which are increasingly reeling under the effects of growing corporate globalization, are burgeoning. The World Bank Bonds Boycott campaign is one valuable tool for making the connections between the local and the global. The boycott is an important way to build greater democracy over how investment decisions are made in our own communities and institutions.

You can organize in your community against the cut-off of social services and welfare there, while protesting that your tax dollars may be used to cause the same harm to low-income people elsewhere through the World Bank. Ask your city council, church, union, or college to pass a resolution or ordinance that it will not invest in World Bank bonds in the future, until the World Bank makes fundamental changes. It doesn't matter whether your institution already holds these bonds or not (indeed, whether your even institution invests or not) - the political pressure on the Bank is the same.

For more information on starting a boycott campaign in Europe or in participating in a strategy meeting on the campaign in Genoa, contact ASEED Europe for more information and an organizer's kit. This and other resources are available via the internet at the addresses listed below:

A SEED Europe; tel: +31-20-6682236; fax: +31-20-4682275; email: wbbb@riseup.net ; Web: www.aseed.net or www.worldbankboycott.org

## Why We Must Open the Meetings of the IMF and World Bank Boards

By Robert Naiman

Robert Naiman <naiman@cepr.net> Center for Economic & Policy Research (Washington)

SAND IN THE WHEELS (n°86) ATTAC Weekly newsletter - Wednesday 20/06/01

Why We Must Open the Meetings of the IMF and World Bank Boards: the Case of User Fees on Primary Health in Tanzania

One of the most controversial "structural adjustment" policies promoted by the World Bank and the IMF is the imposition of user fees on primary health care and education. These user fees have been associated with lower school enrollment and reduced access to primary health care. For some years, the World Bank, while acknowledging problems with the implementation of user fees, defended them in principle on the grounds that there were, or were supposed to be, exemptions for the poor, even though, as the World Bank was eventually forced to admit, the track record indicates that exemption schemes do not work.

In response to the World Bank's refusal to abandon support for user fees on primary health and education, in October, 2000, the United States Congress passed legislation requiring the United States representatives at the International Monetary Fund and the World Bank to oppose any loan or debt relief agreement which included "user fees" on access to primary health care and education. [1] This legislation was supported by a broad array of civil society groups in the United States, including the AFL-CIO trade union federation, which stated, "The IMF and World Bank should not condition one dollar of debt relief or development financing on the creation, expansion, or continuation of a user fee program by a borrowing country. No loan agreement, decision point document, or poverty reduction strategy paper should contain such a requirement, and the United States must make it clear to the Bank and the Fund that future support for these initiatives will depend on the institutions' assurances that user fees have been eliminated. Of course, the U.S. Executive Directors must also be instructed to vote against any program or document that includes user fees." On the question of exemptions for the poor, the AFL-CIO noted, "The World Bank's own Operations and Evaluation Department and its most recent World Development Report have recognized the limited utility of exemption programs in mitigating the harm caused by these user fees." [2]

One month later, the "Poverty Reduction Strategy Paper" [PRSP] for Tanzania came before the World Bank and IMF boards. The PRSP is purported to be a planning document prepared by developing country governments, in consultation with the IMF and the World Bank, with broad civil society participation, which outlines a plan for reducing poverty in the country in accord with the reformed focus of the institutions on poverty reduction in poor countries announced as part of the "enhanced" debt relief initiative agreed to at the G7 meeting in Cologne.

The "interim" PRSP for Tanzania had included user fees on primary health care. Non-governmental organizations and Members of Congress who had supported the legislation requiring the U.S. to oppose user fees on primary health care and education wrote to the U.S. Treasury Department, then still under the supervision of the Clinton Administration, and reminded Treasury that law required the U.S. to oppose the Tanzania PRSP if it included user fees on primary health care. At the time of the Board mee-

ting, the Tanzania PRSP - a document that supposedly resulted from a broad consultation with civil society in Tanzania - was a secret document.

What actually happened at the Board Meeting is known with certainty only to those who were present, because the Board Meetings are secret, and no minutes are publicly available. However, there is a summary of the discussion. This is a secret document that is only distributed to Bank and IMF management and government representatives. The cover page states: "This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization." [3] In this case, the document was leaked to non-governmental organizations. The summary is a redaction of the minutes, in the sense that it does not indicate who said what, a critical piece of information for holding governments accountable for what policies they support or oppose at the institutions.

Nonetheless, in this case the summary is telling. The summary contains the following sentence: "Staff noted the concern of many NGOs over the existence of user fees in the health sector but pointed out that the poor were exempt from these charges."

But the non-governmental organizations that were concerned about the inclusion of user fees on primary health care were concerned precisely because exemption schemes have failed. Thus, while "noting" the concern of NGOs, the institutions were in fact completely ignoring them. But what is even more telling is that this is the only mention of the issue of user fees on health care in the document. The document summarizing the discussion is seven pages long, and has a specific section on health care. Yet while the concern of NGOs is noted, there is no record of any government representatives in the meeting registering any objection or concern. While the summary does not tell us who said what among the government representatives, it does tell us that no government representative - including the United States representative - said anything on the subject whatsoever, unless we are to believe that an objection or comment by the representative of the government holding one-fifth of the shares of the institution would not be considered noteworthy by the staff person preparing the summary of the discussion.

It is a remarkable fact, that even when the United States Congress, which controls U.S. appropriations to these institutions, went to the trouble of passing a specific law requiring the U.S. representative to oppose a particular policy, the U.S. representative apparently had nothing to say when the subject was discussed in the Board meeting.

It might be thought that this is a matter solely between the United States Treasury and the United States Congress. It is not. It is precisely because the meetings of these organizations are secret that it is up to the discretion of the government representatives to share what information they like and represent their governments as they choose.

Notes: [1] Public Law 106-429, Section 596. "The Secretary of the Treasury shall instruct the United States Executive Director at each international financial institution (as defined in section 1701(c)(2) of the International Financial Institutions Act) and the International Monetary Fund to oppose any loan of these institutions that would require user fees or service charges on poor people for primary education or primary healthcare, including prevention and treatment efforts for HIV/AIDS, malaria, tuberculosis, and infant, child, and maternal well-being, in connection with

the institutions' lending programs." [2] Letter from David A. Smith, Director, Department of Public Policy, AFL-CIO, to Timothy Geithner, Under Secretary for International Affairs, U.S. Treasury Department, October 11, 2000. [3] Summary of Discussion at the Meeting of the Executive Directors of the Bank and IDA, November 30, 2000, International Bank for Reconstruction and Development, International Development Association, December 15, 2000.

## **Demands of the IMF & World Bank: 2001**

By 50 Years is Enough

SAND IN THE WHEELS (n°85) ATTAC Weekly newsletter - Wednesday 13/06/01

These demands have been formulated by the 50 Years Is Enough Network, a U.S.-based coalition of over 200 organizations committed to the fundamental transformation of the IMF and World Bank, through consultations over 15 months with the members of its South Council (representing economic justice organizations in 13 countries in Asia, Africa, Latin America, and the Caribbean) and others.

To endorse these demands, please send e-mail to [demands50years@yahoo.com](mailto:demands50years@yahoo.com) and include your organization's name and location as well as contact information. Endorsements may also be sent by fax to +1-202-636-4238 or by post to 3628 12th Street, N.E. - Washington, DC 20017 USA.

50 Years Is Enough: U.S. Network for Global Economic Justice

## **DEMANDS of the IMF & WORLD BANK: 2001**

We call for the immediate suspension of the policies and practices of the International Monetary Fund (IMF) and World Bank Group that have caused widespread poverty, inequality, and suffering among the world's peoples and damage to the world's environment. We assert the responsibility of these institutions, together with the World Trade Organization, for an unjust world economic system. We note that these institutions are anti-democratic, controlled by the G-7 governments, and that their policies have benefited international private sector financiers, transnational corporations, and corrupt officials and politicians.

We further call for the creation of a neutral and credible "Truth Commission," composed of individuals with a demonstrated commitment to poverty eradication, to investigate the actions and impacts of the IMF and the World Bank. The Truth Commission's findings must be respected and acted on by the governments, institutional officials, and civil society organizations concerned with economic development and international financial policies.

We issue this call in the name of global justice, in solidarity with the peoples of the Global South and the former "Soviet bloc" countries of Eastern Europe and Central Asia who struggle for survival and dignity in the face of unjust, imperialistic economic policies. We stand in solidarity too with the millions in the countries of the Global North who have borne the burden of "globalization" policies that mirror those imposed on the Global South.\*

Only when the coercive powers of the international financial institutions are eliminated shall governments be ac-



countable first and foremost to the will of their peoples. Only when a system that allocates power chiefly to the wealthiest nations for the purpose of dictating policies to the weaker and impoverished ones is reversed shall peoples be able to forge bonds -- economic and otherwise -- based on mutual respect and the common needs of the planet and its inhabitants. Only when integrity is restored to economic development, and both the corrupter and the corrupted held accountable, shall the people begin to have confidence in the decisions that have impacts on their livelihoods and their communities. Only when the well-being of all, including the most vulnerable peoples and ecosystems, is given priority over corporate profits can we achieve genuine sustainable development and create a world of justice, equality, and peace where fundamental human rights, including internationally-recognized social, cultural, environmental, and economic rights, are respected.

With these ends in mind, we make the following demands of the management, Executive Directors, and Governors of the World Bank and the International Monetary Fund:

1. **DEBT CANCELLATION:** We demand that the IMF and World Bank cancel 100% of all claimed debts without imposing any form of external conditionalities. We concur with the position of Jubilee South that holds these debts to be illegitimate. Any funds required for this purpose should come from positive net capital and assets held by those institutions. Should other institutions, such as the African Development Bank, require assistance to write off the debts owed them, we call on the World Bank and IMF to make such funds available. We believe that civil society in the indebted countries should take the lead in determining how savings realized through cancellation are utilized.

2. **END STRUCTURAL ADJUSTMENT:** We demand that the IMF and World Bank immediately cease imposing the economic austerity measures known as structural adjustment and/or any other macroeconomic "reform" as conditions of loans, credits, or debt relief. This requires both the suspension of those conditions in existing programs and an abandonment of "poverty reduction strategy papers" (PRSPs) and any version of the Heavily Indebted Poor Countries (HIPC) Initiative, which conditions debt relief on policy reforms.

3. **TRANSPARENCY:** We demand that the IMF and World Bank Group make all board meetings public and all documents in its possession freely available to the public (with exceptions to protect confidentiality to be decided on by a neutral body). This includes all project and program agreements, board meeting minutes, evaluations of program failures and successes, etc. All documents must be made available in the local languages of project- and policy- affected peoples.

4. **REPARATIONS FOR STRUCTURAL ADJUSTMENT:** We demand that the IMF and World Bank accept responsibility for the disastrous impact of structural adjustment policies, as determined by a neutral and credible Truth Commission, by paying reparations to the peoples and communities who have borne the consequences. These funds should come from the institutions' positive net capital and assets, and should be distributed through democratically-determined mechanisms.

5. **REPARATIONS FOR SOCIAL AND ENVIRONMENTAL DEVASTATION:** We demand that the World Bank Group pay reparations to peoples relocated and otherwise harmed by its large projects (such as dams) and compensate governments for loan repayments made on projects which World Bank evaluations rank as economic failures.

A further evaluation by a neutral and credible Truth Commission should determine which World Bank projects have failed on economic, social, cultural, and environmental grounds, and see that appropriate compensation is made. The funds for these payments should come from the institutions' positive net capital and assets, and should be distributed through democratically-determined mechanisms.

6. **STOP AID TO PRIVATE SECTOR:** (a) We demand that the World Bank Group immediately cease providing advice and resources to advance the goals associated with corporate globalization, such as privatization and liberalization; (b) We demand that the International Finance Corporation (IFC) and the Multilateral Investment Guaranty Agency (MIGA) be privatized or closed, and that private-sector investments currently held by these World Bank agencies be liquidated to provide funds for the reparations demanded above.

7. **ACCOUNTABILITY FOR CORRUPTION:** We demand that the agencies and individuals within the World Bank Group and IMF complicit in abetting corruption, as well as their accomplices in borrowing countries and in private banks, be prosecuted, with full cooperation from the institutions, and that those responsible, including the institutions, recover and return stolen wealth and provide compensation for unrecoverable stolen resources. We call for a neutral and credible Truth Commission to assess the culpability of the various parties to corruption and stolen wealth.

8. **ASSESSMENT OF INSTITUTIONS' FUTURE:** We demand that the future existence, structure, and policies of multilateral institutions such as the World Bank Group and the IMF be submitted to a re-evaluation conducted through a democratic, participatory and transparent process, building on the findings of a neutral and credible Truth Commission. The process must accord full participation to the peoples most affected by the policies and practices of the institutions, and include a significant and influential role for all parts of civil society, including farmers' associations, trade unions, women's organizations, non-governmental organizations, faith-based groups, and student/youth organizations.

The accession to these demands would require the institutions' directors to accept and act on the need for fundamental transformation. It is possible that the elimination of these institutions will be required for the realization of global economic and political justice.

We commit to work towards the defunding of the IMF and World Bank by opposing further government allocations to them (in the form of either direct contributions or the designation of collateral) and supporting campaigns such as a boycott of World Bank bonds until these demands have been met.

Endorse these Demands! e-mail: demand-s50years@yahoo.com fax: +1-202-636-4238 post: 3628 12th Street, N.E. - Washington, DC 20017 USA

# 5 > Unlawful Debt

The politico-financial history of the last thirty years reveals a worrying correlation between financial crime, indebtedness and poverty. In the four corners of the world, various agents have put in place a smoothly running system of decapitalisation resulting in State bankruptcies and as a consequence the failure of all public policy guaranteeing the wellbeing of their peoples. Faced with this scarcely encouraging situation, the question remains to be answered. Will the twenty-first century eventually see justice prevail over the institutionalised accumulating of fraudulent profits ?

A text-book case: Argentina

Argentina is known for being one of the IMF 's (International Monetary Fund) favourite pupils. Since the '80s the country has rigorously applied the Washington experts' letters of intention. The the programmes' objective is now well known; freeing the country from debt and structurally adjusting it to the global market, in order to break decisively with the "reactionary" policies of the past, responsible for the debt crisis at the beginning of the '80s

Following neoliberal theory, state power has accordingly been diluted, undertakings have been sold to foreign capital, economic frontiers opened up to international capital and the multinationals. Today while 90% of the banks and 40% of industry are in the hands of international capital, the country has been in serious recession since July 1988, its external debt has increased from 43 to 133 billion dollars between 1983 and 2000, health and education are in tatters, the average salary is worth half its 1974 value . The collapse is dramatic, both economically and socially. The reason is clear, though seldom mentioned; the IMF and successive Argentine governments have not answered the real problems but, have , on the contrary , applied measures exacerbating them.

Evidence now exists , resulting from a judicial enquiry over 18 years, following a legal process initiated back in 1982 by a journalist, Alejandro Olmos.; the Argentine debt crisis has its origin in wastage and fraudulent misuse of funds featuring the Argentine government, the IMF, private banks in the North and the American Federal Reserve. That is why the Argentine Federal Court has declared the debt contracted by the Videla regime "unlawful", as being contrary to the legislation and Constitution of the country. The court recommends Congress to employ this judgment to negotiate the cancellation of this execrable debt.

A smoothly running decapitalisation mechanism

In 1976 Videla's military junta took power and set up a dictatorship which lasted until 1983. During this period Argentine external debt was multiplied by five (increasing from 8 to 43 billion dollars) while the share of the GNP (gross national product) attributable to wages sank from 43% to 22%. The dictatorship was to lead to the debt crisis and the official entry of the IMF to take financial command of the country, with the results that are well known.

The verdict of the Argentine Tribunal ,195 pages long, traces the history of this condition of indebtedness from its origins. Agents of various types are featured; on the Argentine side, the principal roles are occupied by President Videla, Martinez de la Hoz ,the Minister of the Economy sponsored by the Council of Business Heads, and Domingo Cavallo, Director of the Central Bank.



## Unlawful Debt or Financial Crime Against Human Development

The execrable and unlawful debt; it has been seen in the case of the Argentine that national enquiries can be made to determine the unlawfulness of a country's external debt. Under international law, a debt is unlawful when it has been contracted by a non-democratic regime, without benefit to the local population and with the collaboration of the creditors. Although the impact of such enquiries remains limited for the reasons explained above, they may well increase citizen awareness thus motivating the legislative powers to respond eventually.

By: Arnaud Zacharie

Source: Paper submitted in the ATTAC seminar "What to do against white collar crime in France and in Europe". Paris 30 June 2001.

Translation: Translation: Prudence Dwyer coordi-  
trad@attac.org

Original Document: <http://attac.org/genes2001/documents/docdet7en.htm>

Next comes the IMF which since 1976 has been granting extensive credit to the Argentine providing Western banks with a guarantee that the country is in a favoured position for the recycling of their surplus petrodollars. But the IMF's role does not stop there, because all through the dictatorship, Dante Simone, an IMF staff member, is to be found in the regime's service. The IMF excuse is that it had granted leave to M. Simone and that it was he who put himself at the disposal of the country's Central Bank (p.27 of the judgment). The Bank was therefore paying the expert's board and lodging expenses. It remains to be discovered who paid his salary and if his leave was paid by the IMF.

However that may be, Dante Simone produced a written report addressed to Domingo Cavallo of the Argentine Central Bank (a copy to the IMF has been found) a report stating that as regards contracting further debts there were wide margins before any major economic danger would arise (p.31 of the judgment). M. Simone's role was clearly to seek extensive but discrete external financing

Such external funds were in any case hardly difficult to find, so avid were the Western banks to tap into new markets, gorged as they were with petrodollars impossible to invest following the crisis in the rich countries of the North. The enquiry thus shows that the Argentine Central Bank was able to make discretionary investments with American banks, this without securing the agreement of the Minister of the Economy, but relying on the generous help of the American Federal Reserve!

The arrangement between these different lead players was such that the bank loans granted to Argentina were never to come under that country's control, but were to be directly diverted by the banks to tax havens in the name of front-companies. So the debt did not benefit the local people but rather the dictatorial regime and the banks of the North which provided important technical financial support for the passage..

The rest of the funds were squandered in lavish subsidies to large groups of Minister Martinez de la Hoz's personal friends.

In spite of this court judgment, the legislative power is making no move. It is continuing the country's liberalisation, pushed to extremes, as this was, during the '90s, by the successive governments of Carlos Menem, who, along with four of his former ministers, is now being held in custody, for international arms trafficking during the first part of his mandate (between 1991 and 1995)!

Rather than employing the judgment to repudiate the unlawful debt which is keeping his people and his economy in an unsustainable position, President De la Rúa has urgently recalled Domingo Cavallo to the head of the Ministry of the Economy, the very man who was governor of the Central Bank in the time of Videla and subsequently Carlos Menem's "Super-Minister" of the Economy during the nineties before getting himself swept away in the clean-up after the 1998 presidential elections faced with De la Rúa!

A well established culture

While a judgment like this has the capacity to show up the unlawful character of the Argentinian debt, the fact that the enquiry lasted 18 years means that those responsible will remain immune, protected by prescription covering the facts. The removal of prescription from economic crimes is a major juridical objective of the new century But it is not the only one.

The mechanism brought to light in Argentina is unfortunately not an exception. Mobutu in Zaire, Suharto in Indonesia, Houphouët-Boigny in Ivory Coast, Moussa Traoré in Mali, Marcos in the Philippines, Pinochet in Chile and others are well known examples of Chiefs of State at the head of a financial empire constructed with the aid of the banks by the twisted course of tax havens. All these countries are burdened today by unsustainable debt and have been in the neoliberal hands of the IMF for almost two decades. As for their peoples, most of them have lost even the will to go on hoping, to such an extent has an already well established culture been reinforced by the total opening up of economic frontiers and the abolition of controls.

One of the most striking examples of this is Russia which inside a decade has passed from the hope of democratic emancipation to institutionalised plundering.

The facts underlying neoliberal Russia

When the Soviet Union finally collapsed, the local peoples entertained an amazing hope of liberation and democratic freedom. Ten years later they have passed cruelly from bureaucratic rationing to a dramatic drop in their living standards. Once again a band of influential agents have united to ceaselessly pillage a state in course of disintegration.

The former Vice President of the World Bank, Joseph Stiglitz, summarises this transition, as follows: concerning the reforms applied in Russia;

"Following the fall of the Berlin Wall, two schools of thought emerged concerning Russia's transition to a market economy. One of them stressed the importance of institutional infrastructures in a market economy and recommended a more gradual transition towards market economy. The second school of thought was composed of macro-economists whose faith in the market was absolute. These economists had no knowledge of history or of the details of the Russian economy nor did they believe that they needed any. The great strength, and the ultimate weakness of the economic doctrines relied on, lies in the fact that they were - or were supposed to be - universal. This universal truth is that shock therapy works for all countries on their way to the market economy; the stronger the dose (and the more painful the reaction), the more quickly the change is effected. Such is their argument. Those who opposed this course were not consulted for long. By December 1993 Russia had experienced 'too many shocks and too little therapy'. And all these shocks had completely failed to bring Russia to a genuine market economy. The rapid privatisation imposed on Moscow by the IMF and the US Treasury had allowed a small group of oligarchs to take control of the country's assets. When the government began to run short of money for paying pensions, the oligarchs diverted important national resources to Swiss or Cypriot bank accounts. The United States were implicated in these obnoxious transactions. In mid-1998 Larry Summers replaced Robert Rubin in the post of US Finance Secretary. He appeared by the side of Anatoly Chubais, the chief architect of the Russian privatisations. In acting thus the United States appeared to be allying themselves with the forces responsible for the impoverishment of Russia. The US Treasury and the IMF continued to insist that the problem did not result from too much therapy but from too few shocks. But during the course of the '90s, the Russian economy continued to collapse. Whereas only 2% of the population were living in poverty at the end of the Soviet period, the 'reforms' saw the rate of poverty climb as far as 50%, with more than

half of Russian children living beneath the poverty threshold. Today Russia is eaten away by enormous inequalities and the majority of Russians have lost faith in the market economy."

The fraudulent diversion of funds operated by the Russian oligarchs since 1993 are estimated at some 130 billion dollars! Meanwhile the country's external debt has risen from 60 to 155 billion dollars between 1990 and 1999, whereas the country's GNP in 1999 is only 59% of what it was in 1989. While the people have been plunged into dire poverty, a handful of oligarchs have accumulated a fortune, entirely tax free, with the complicity of the Yeltsin government, Russian and Western banks and tax havens.

One of the most striking examples is that of Menatep, during the Kremlin-gate scandal which erupted in August 1999. This Russian bank, now in liquidation, was, with the collaboration of the Bank of New York, to have diverted to tax havens, some 10 billion dollars, partly derived from IMF loans.

Late in 1997, Menatep opened an account with Cedel (now renamed Clearstream), the international clearance room offering the facility of opening unpublished accounts (read "Revelation", Denis Robert and Ernest Black, 2000, Les Arenes). Alongside the Bank of New York are the Vice President, in charge of relations with Russia, and her husband, the former president of Menatep and representative of Russia on the IMF between 1992 and 1995. The agents are in play, with the complicity of the Yeltsin administration as back-up, so decapitalisation can be put into operation.

On December 31, Boris Yeltsin resigned in favour of Vladimir Putin. elected President three months later, after instigating an investigation for abuse of power against Procurator Skuratov who was holding an inquiry into the diversion of funds connected with the Yeltsin clan.

#### Convergent diagnoses

The globalisation of liberalised financial markets and the proliferation of tax havens have facilitated the means for decapitalising States worldwide.. Thousands of billions of dollars are thus diverted and laundered with total impunity, all at the expense of the men and women citizens of the world who have to suffer the onslaughts of budgetary austerity. To counter such a state of affairs is no easy matter and this for various reasons;

The complicity of the banks; - the diversion operations call for complicated technical financial resources which only the banks possess; front- companies; off-shore companies, changes of fiscal and legal identity, diversification of investments in complex financial products etc. Thus while corrupt elites build a fraudulent financial empire, they can only do it thanks to the logistic support of banks well remunerated for their services.

The speed of carrying out enquiries: - the period of sequestration being public and limited to a few months, justice is constrained to act with urgency which allows white collar criminals to respond when they are sufficiently organised. This was especially so in the case of Moussa Traore in Mali, who at the beginning of the nineties was able to alert an ambassador accomplice in Geneva who armed with a power of attorney contacted the cantonal bank in Vaud. The latter was quick to transfer the funds to other safe places (read "Africa; Cancel the Debt to Liberate Development" edited by Arnaud Zacharie and Eric Toussaint, 2001, p.235)

The powerlessness of justice; - whereas only a few days

are needed to divert funds along the crooked route to the tax havens, it takes an average of two and a half years for a judge to track down an operation. In view of this disparity it seems difficult for justice to respond effectively to this globalised mechanism for decapitalisation.

The virtual secrecy surrounding the information; - while it is easy for a banker to discover who is the titular owner of an account and with what front company or financial set-up etc., he is usually silent when an enquiry is under way. The reason for this is simple. Diverting funds is an extremely well remunerated operation for banks and very real competition has developed. Moreover, a bank cooperating with justice will see its fraudulent clients turning their backs on it to the benefit of more "understanding" banks.

The complexity of the procedures; - the fact that a procedure is traditionally long and complex (1st instance, 2nd instance, etc.) often enables financial criminals to be protected by prescription covering the facts

#### Roads to international financial justice ;

The establishment of international financial justice has become essential for States to exist. This involves juridico-economic changes at national and international levels. Some roads should be tried even though, given the current political situation, they may seem problematic.

The execrable and unlawful debt; it has been seen in the case of the Argentine that national enquiries can be made to determine the unlawfulness of a country's external debt. Under international law, a debt is unlawful when it has been contracted by a non-democratic regime, without benefit to the local population and with the collaboration of the creditors. Although the impact of such enquiries remains limited for the reasons explained above, they may well increase citizen awareness thus motivating the legislative powers to respond eventually..

The Convention of Rome (1998); when the Rome Convention has been ratified by enough States the international penal court will have a panel of judges (parquet) at its disposal and one State will be able to bring a case against another. Since March 1991, ECOSOC (Economic and Social Council) has considered the diversion of public assets to be a violation of the Rights of Man. Also, it will be possible to prosecute decapitalisation as an international crime, even if such prosecutions can be brought only by States and give no right to civil law damages ( simply the criminal penalty)

Making clearance companies subject to international supervision; it was seen in the Menatep case that the use of unpublished accounts offered by an international clearance room such as Clearstream makes any diversionary operations even more opaque As was emphasised in ' The Appeal for International Financial Justice' launched on 30 May 2001 by ATTAC in Belgium :

"While the eruption of financial exchanges might lead one to believe there was chaos among the financial floods, in reality no trace of the circulation of capital sums, whether legal or not, has been allowed to go astray. All the operations are registered on micro-fiches or optic disks and kept in the heart of the clearance rooms and in the archives of Swift. Thus the movements of funds from banking and tax havens can easily be reconstituted a fact which offers the necessary instruments for the struggle against financial crime and the proliferation of tax havens. On the other hand, left without any real control, or controlled by the banks alone, these supranational bodies can become purveyors of corruption, financial frauds and laundering.. This is why we are asking the national political institutions

<< 5 to put Swift, Euroclear and Clearstream under the democratic control of a supervisory organisation".

The taxation of international financial transactions; - the imposition of a Tobin type tax, a recommendation common to numerous organisations, has advantages seldom mentioned . Such a tax would in fact entail the transparency and "traceability" of transactions thus facilitating their control by public authorities and by justice.

Finally, taking a more global view, economic rights must be defended in the same way as civil and political rights, especially through the (1966) Pact relating to economic, social and cultural rights. This requires firstly the adoption of a Protocol as requested in 1993 by the Vienna Conference and then the ability to try economic crimes as crimes against Humanity - by their nature not subject to prescription.

■ 5