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**United Nations Civil Society Hearings on Financing for Development**

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M. Chairperson, UN agencies, forum participants, thank you for the opportunity to address this audience and to contribute to the UN Financing for Development process.

The Development GAP has worked for 24 years to help maximize the impact of local-level knowledge, information and experience in the countries of the South on bilateral and multilateral economic policymaking and program development. In this effort, we have worked in partnership with a wide range of outstanding grassroots and national citizens organizations in dozens of low- and middle-income countries, as well as with policymakers in Washington and with international financial institutions (IFIs) and Northern aid organizations.

At the same time, we have initiated campaigns and helped organize broad-based networks that are key elements in the ever-intensifying global challenge to the prevailing economic policies and to the exclusionary and undemocratic policymaking process that produced them. On the trade front, we are a leader of the Hemispheric Social Alliance, which is fighting to transform the proposed Free Trade Area of the Americas into a vehicle for equitable and sustainable development. As far as the IFIs are concerned, we initiated the 50 Years Is Enough Campaign and now coordinate the Structural Adjustment Participatory Review International Network (SAPRIN), which has engaged Jim Wolfensohn and the World Bank in a four-continent, on-the-ground assessment of structural adjustment policies and taken parallel initiatives on its own with civil society in other countries.

### **The Problem**

The issue before us here is how to enhance the coherence and consistency of the international monetary, financial and trading systems in support of development. This is an impossible task in that the proposition is an oxymoron. It is based on the supposition that these systems, as currently managed, have been supportive of the development process in the countries of the South and, more recently, in Central and Eastern Europe. For over two decades, citizens around the globe, through their protests and critiques, have sent a different message. They have consistently and overwhelmingly rejected the domestic manifestation of global economic management dominated by the G7 finance ministries, namely the structural adjustment programs imposed upon them by the Bretton Woods institutions and other donors, as well as the global and regional trade accords that complement those programs.

This imposition has been effected by an unprecedented intervention in the economic affairs of

sovereign states. It has undermined democratic process by forcing even representative governments to respond first and foremost to the policy demands and financial interests of their creditors rather than to the needs and priorities of their own citizens. And it has limited choice to only one economic approach, which, not surprisingly, has not generated development, as this has not been its primary purpose. To the contrary, everything that the critics of adjustment -- who were consistently dismissed by the IFIs as misguided -- had predicted in terms of the failure of the development process has come to pass. Local businesses and farms have been destroyed. Employment and incomes have been slashed. Poverty and economic inequality have sharply increased. Greater pressure has been placed on ecological resources. And social, economic and financial instability have been generated.

### **What Is Required**

There is a compelling need today for a new coherence, a convergence around a different set of values and principles -- namely respect for diversity, equity, self-reliance, self-determination, community and environmental sustainability, democratic economic decisionmaking, transparency and accountability. For two decades, as Southern governments have been unable to challenge economic orthodoxy without retribution and as most Northern governments have also chosen to remain silent on these issues, civil society has filled the void and championed not only resistance to the corporate-inspired economic paradigm but also an increasingly articulated vision for change. Started as a backlash against the destruction of local livelihoods and communities, this citizen challenge has grown into a global movement that is beginning to change the political, if not quite yet the economic, landscape.

Given the resistance of transnational companies, a new Southern economic and financial elite, and, most importantly, the U.S. Treasury and other G7 finance ministries to these external pressures, this change will not be easy nor without costs. It will continue to be met with repression and obfuscation, and the speed and direction of change that does take place will not necessarily reflect the often desperate needs of a broad array of population groups and economic sectors. What is required, therefore, is the forging of partnerships between civil-society movements and other parties, including official international institutions, that can clear paths for meaningful change. Given U.S. dominance of these institutions, the forging of such partnerships will, in turn, depend on the vision, courage and moral integrity of their leaders.

What I want to do today is to throw out a public challenge to these leaders -- to the leadership of the United Nations and its specialized agencies and to those who head the IFIs -- as well as to the leaders of some of the G7 governments. We are at a particular moment in the historical process of change. A moment when the failures and crises of corporate-led globalization and the mobilization of citizens worldwide in defense of their rights and livelihoods are outstripping the slow and marginal reforms in global economic management. The challenge is to get out ahead of the curve, to join civil society in changing the nature of global decisionmaking and to avoid being swept along in the current confluence of short-sighted self interests that history will undoubtedly judge harshly.

### **Challenge to IFI Leadership**

To the leaders of the IFIs, we echo the demands of millions of people around the globe when we say that it is well past time to put an end to the destructive practice of imposing corporate-engendered economic policies on client countries. To the president of the World Bank, in particular, we say that it is far from sufficient to develop so-called poverty programs limited to social considerations when it is now generally accepted that the Banks own economic adjustment programs are not only undemocratic and failures in terms of achieving their stated objectives, but have themselves contributed significantly to growing poverty and inequality and to the destruction of local economies. Indeed, the extremely rigid economic framework in which the IFIs are stuck makes it impossible for their leaders to do the kind of work they say they want to do in support of meaningful development.

By engaging civil-society organizations under the banner of popular participation, as in the case of the current Poverty Reduction Strategy Papers, and then ignoring their key input regarding adjustment programs, the Bank only makes matters worse. Not only does the charade breed further cynicism, it robs the assessments of fundamental knowledge and critical perspectives and experience and ensures that these analytical instruments will prove useless in attaining their stated goals.

Five years ago, President Wolfensohn, to his credit, accepted an NGO challenge and requested a mechanism for jointly assessing with civil society the local impact of adjustment programs. Soon, the results of the SAPRI process of broad citizen mobilization, structured consultations and participatory research will be public, but preliminary findings from four continents point to many of the same problems that have been at the root of public protest. Labor-market reforms have undermined workersrights, security and incomes. The resultant decline in local demand, along with policies of precipitous import liberalization and tight credit, has contributed significantly to the destruction of much of the small-scale productive sector in these countries and of the millions of jobs these enterprises provide around the world. The privatization of public utilities has often made affordable services unavailable to poor and working people. Public-expenditure reform and cost-recovery requirements have put health care and education out of the reach of a growing number of people.

**The integral participation of the World Bank in these country exercises and the financial support of SAPRI by European governments, the European Union and the UNDP, among others -- along with the highly inclusive, democratic and grassroots nature of civil-society participation -- gives the Initiative and its emerging findings a high level of credibility. However, rather than embracing these findings and the experience, analysis, needs and priorities of thousands of citizens' groups, the Bank appears once again to be positioning itself to downplay the significance of these results. This is not leadership, certainly not the kind that is so necessary but so obviously lacking in today's world.**

**Instead of fleeing from such evidence -- and from the march of history as it unfolds on the streets of Cochabamba, Washington, Seoul and Prague -- IFI managers can summon the courage to stand up to their bosses atop the G7 finance ministries. They may not be able to change policy on their own, but they can help expand and solidify a public platform that civil society worldwide has created for a new public convergence on economic policy. Getting out ahead of history and getting with the fight for justice entails risk, but great**

leaders have cared little about membership in the club of the elite. Their risk in any event pales in comparison with the sacrifice that millions of people have made over the past generation. What is needed now is for people of good faith in officialdom to speak out against the failure and injustice of the current economic system and to shift their institutions in a different direction.

### **Challenge to UN Leadership**

This challenge applies equally to the leaders of the UN system and to progressive governments in the North. Whereas civil society has quite limited expectations of the managers of the Bretton Woods institutions, citizens around the globe do hold out hope that the UN system, being more democratic, will eventually respond in a significant way to the real problems and priorities of the people and those representative governments of the South. To date this response has been sporadic, however, and NGOs have been recently dismayed at the corporate, "free market" compacts embraced by UN bodies. The co-optation that is underway -- additional finances and club membership in return for convergence around the Bretton Woods agenda -- threatens the one asset the UN cannot afford to lose: its remaining global credibility.

At the same time, we do take heart from some very positive signs within the UN system. UN staff, across various agencies, has reached out to civil society increasingly to support a peoples' agenda centered on greater local control, popular involvement in setting new directions in economic policy, and a value system broader than the dictates of the market. Agency reports have become more bold in questioning structural adjustment programs and the current management of the global economy. New leadership has embraced different roles for their institutions, emphasizing an advocacy function as part of historic, on-the-ground relationships with governments and civil-society organizations.

These historic and now deepening relationships and these new roles are critical assets that must be the basis for the construction of what we can call a New Convergence. The parameters of this convergence have been set by civil society around a set of principles that translate into development agenda featuring strong domestic productive sectors, food self-sufficiency, national economic integration, rising and equitable family incomes, savings and purchasing power, and a reduced dependence on external assistance and borrowing. How such expanding, equitable and sustainable economies are achieved can best be left to each government and its citizenry to determine. Targets can be set internationally and democratically, and international financing can be linked to progress in these target areas.

The New Convergence requires a coming together of various parties with similar values, interests and goals. More specifically, it calls for concrete collaboration among and between various UN agencies, civil-society movements and organizations, and principled and emboldened governments and ministries in the countries of the South and North, as well as the assistance of economists with links to local realities. Within the United Nations itself, it will require cooperation among the leaders of its various agencies rooted in a

common vision of, and commitment to, progressive and democratic social change.

### **Assessing Poverty Effects of Economic Policies**

**A concrete and practical opportunity for such collaboration presents itself today, and we call on the leaders of UN agencies to seize the moment. While the UN has long recognized the broadening and deepening of poverty around the world under the economic adjustment programs of the past two decades, those at the IFIs who have perpetuated these programs on behalf of Northern finance ministries have only recently turned their attention to this tragedy when its acknowledgment became unavoidable. Their response, however, has been irresponsible in that their Poverty Reduction Strategy Papers (PRSPs), like all their previous proposals and programs to address poverty, have an obvious fatal weakness: they leave structural adjustment programs firmly in place to eat away further at the livelihoods of poor and working people. Worse yet, with significant resources and financial leverage at their disposal, the IFIs are able to turn a blind eye to and trample upon the work that UN agencies have quietly carried out in this area, incorporating governments and their citizens in fundamentally flawed processes that will lead to the useless expenditure of unaffordable time, energy and resources.**

**The leaders of the UNDP, UNCTAD, ILO, UNICEF and other UN entities can take the responsible path and address this burgeoning and pernicious global poverty at its roots, not by joining in the hollow PRSP process, not by embracing the corporate and U.S. Treasury agenda in the search for resources, but by launching parallel processes that look specifically at the poverty effects of adjustment programs. Twenty years ago, the proponents of what became known as the Washington Consensus cited the economic-policy environment as a much more powerful factor in the development process than development projects and investments. It is therefore logical and necessary to examine how the policies that emerged from the much heralded "policy dialogue" have played out in the lives of the people, families and communities of the South. If the World Bank and IMF refuse to do so as part of PRSPs, the UN should fill the void by joining forces with civil-society organizations and interested parties in government in the countries in which they work.**

**In helping the UN system finance these national exercises, progressive Northern governments would not only be underwriting critical and objective analysis that is missing in the flawed PRSP processes, they would be significantly strengthening the role of UN agencies in promoting equitable economic and social development. Involvement in such an exercise would establish the United Nations as a focal point in the struggle for economic justice and would help establish a strong platform for further action in this area. Civil-society movements, including SAPRIN, which have been constructing this platform over the past decade, would embrace a UN leadership role in articulating a New Convergence around development approaches that are more just, sustainable and locally determined.**

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