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# STATEMENT OF DOUGLAS HELLINGER, MANAGING DIRECTOR THE DEVELOPMENT GROUP FOR ALTERNATIVE POLICES (THE DEVELOPMENT GAP) BEFORE THE SELECT COMMITTEE ON HUNGER U.S. HOUSE OF REPRESENTATIVES 3 JUNE 1992

Thank you, Mr. Chairman, for the opportunity to address the Committee today. We are particularly appreciative because the Hunger Committee is one of the few places in the U.S. Congress where there is a deep and genuine concern for the plight of the poor, not only in this country, but in other nations around the globe.

Our organization has worked in and around the World Bank for the past 17 years, first as consultants in the 1970s on poverty-related projects and most recently as part of an official international committee comprised of non-governmental organizations (NGOs) and World Bank staff. During this period, we have tried our best to accurately and effectively convey, in Northern policy centers, the views and priorities of our grassroots partners in Latin America, the Caribbean and Africa on issues that affect them. The issue of world poverty and the role of the World Bank is of utmost importance to them and to us.

In dealing with this issue, it is critical that the Committee not look for easy answers to what is in reality a major, structural problem. It must not begin, as too many others have done, with an analysis of what the Bank can do to combat poverty around the globe, but rather with an examination of what the institution has done and is continuing to do to create and deepen poverty in the countries of the South. Only then will this issue receive the serious treatment that it requires.

For over a decade, the Congress has virtually ignored Bank-promoted structural-adjustment programs (SAPs) in some 70 countries in the South. In so doing, it has contributed to one of the saddest chapters in the post-war history of our relations with the poor nations and peoples of the world. Despite the havoc that adjustment has wreaked on the lives of tens of millions of ordinary people for over a decade, only a few in Congress have raised concerns about these policies. They have been, for all intents and purposes, disregarded by the rest of the Congress, as well as the media, and of course, the Administration.

Three years ago, staff members of the Subcommittee on Africa of the House Foreign Affairs Committee, upon return from a mission to West Africa, reported that "...structural adjustment has become the premier internationally-supported long-range development policy for sub-Saharan Africa" and concluded that "...adjustment has produced little enduring poverty-alleviation, and ... certain policies have even worked against the poor." They cited "adjustment's tendency to neglect the small farmer except where export crops are involved" as a case in point. Today, U.S. economic policy toward West Africa remains unchanged.

If Congress doesn't listen to its own staff, it is not surprising that it pays little heed to people who are suffering the ravages of adjustment thousands of miles away. But, with the Bank having expanded adjustment lending over the past couple of years and now intending to continue extensive support for SAPs into the next century, it becomes imperative that this Committee listen to appeals from the field for help and begin to take some action.

Although the specifics of SAPs vary from country to country, they typically include the following measures: currency devaluation; cuts in government spending on social services (e.g., health and education); the privatization of state-owned industries; the imposition of wage controls; trade liberalization; restrictions on domestic credit; the lifting of subsidies on food and other consumables; tax increases, often in a regressive manner; and reductions in public-sector employment. The impact of these policies on the poor and middle class has been devastating.

Here is a sampling of what we have been hearing from citizen's organizations around the world since the mid 1980s:

* In Mexico, Chile and Costa Rica -- all considered adjustment success stories by the Bank -- real wages have dropped between 40 and 50 percent over the past decade.

* In the agricultural sector in Costa Rica, farm leaders note a frightening concentration of land ownership since sector adjustment policies were put into effect. Government support has shifted from small-farm agriculture toward export production by large-scale domestic and foreign investors. Small farmers, increasingly starved for credit and unable to afford the start-up costs related to non-traditional export crops promoted by the Bank, are becoming landless workers on corporate plantations, where they are suffering almost epidemic levels of pesticide poisoning.

* Similarly in Senegal, the privatization and liberalization of both input and output marketing and the elimination of subsidies have resulted in increased agricultural production costs and higher consumer prices at a time of stagnant national incomes. Under adjustment, scarce resources have been allocated to export production, credit promised to small producers has not been forthcoming, and, despite extensive government cutbacks in agricultural and social services, the country's foreign debt sharply increased during the 1980s.

* In Ghana, long touted by the Bank as an adjustment success story, we are told by colleagues that the country is in a downward slide. Direct investment is negligible, capital flight is growing, domestic manufacturing is being undermined by imported products, and income distribution is being further skewed. Agricultural production remains extremely sluggish, as the emphasis remains on export crops like cocoa, the returns from which go principally to one percent of the farming population. In any event, cocoa prices have plummeted on the world market. Producers of rice, vegetable oils and other cash crops have been hit by cheap imports, the inevitable outcome of trade-liberalization measures. World Bank-mandated currency devaluations have raised

the production costs of the local fishing industry which has had the effect of raising the price of fish upon which poor Ghanaians depend for sustenance. Increases in malnutrition rates were subsequently recorded.

* In Zimbabwe, recent currency devaluations have tripled the prices of some consumer goods; the store shelves are now full of goods that are too expensive for most people to afford. With the removal of price controls, a bag of maize now costs three times what it cost a year ago, but the rise in producer prices has not benefitted the rural poor, most of whom are net purchasers of food. Meanwhile, as a result of newly introduced cost-sharing formulas, children are being withdrawn from school by parents who cannot afford school fees and uniforms, while both the availability of medical drugs and the number of health clinics are declining. Much of this has occurred during the country's worst drought of the century.

* In the Caribbean, during a decade of adjustment in the 1980s, Jamaica suffered sharp increases in food prices and decreases in health-care expenditures, leading to rising rates of malnutrition and disease. The denial of credit to small farmers in favor of modern export schemes pushed more and more small producers into drug production. In Trinidad and Tobago, union officials report that trade liberalization measures are leading to major lay-off of workers, as companies begin to import cheap industrial inputs and finished products.

Any other set of development policies, after so prolonged a period of failure, would have been ridiculed and jettisoned by our assistance agencies. Yet, the Bank's response has been essentially to blame external factors and non-compliance by governments, throw small amounts of money at compensatory or social-investment projects, distort the evidence and prescribe more of the same. What needs to be understood is that the Bank's much vaunted "poverty alleviation" effort is part of this public-relations campaign to buy more time for adjustment programs.

In fact, the Bank has no real poverty program except for adjustment. A careful reading of its 1990 *World Development Report* on poverty reveals no new departures of any consequence. It calls for greater investment in "human capital", after the Bank itself helped cut health and education budgets throughout the '80s. It emphasizes labor-intensive production, which relies, in fact, on sharp declines in wage rates to attract foreign investors. And it once again tries to sell us on "mini-safety nets" to catch what it wants us to believe are the few unfortunate, short-term victims of adjustment, when it has become increasingly clear that a permanent characteristic of SAPs is a new, growing class of poor, marginalized people.

Early last year, Bank staff presented to their Board a policy paper which set out a plan for "operationalizing" its poverty-alleviation strategy. The paper makes the absurd claim that poverty afflicts only seven percent of the population of Latin America, a number perhaps ten times lower than the actual, rapidly increasing level, but a figure which allowed staff to successfully argue that no fundamental changes in the Bank's "development path" was necessary. This dishonesty also enabled the Bank to issue a Poverty Handbook and Operational Directive that allows little room for a challenge to the basic tenets of the adjustment paradigm. Furthermore, the attack on poverty will not only be piecemeal, but it will be orchestrated from above, with little or no emphasis on the initiatives, priorities and perspectives of the poor themselves.

An even clearer indication of the marginal importance accorded the poverty issue by the Bank is the fact that the implementation of the poverty-alleviation effort is being handled only within the context of adjustment programs by its Country Operations Divisions. Worse yet, it appears that, for most countries, the major focus of subsequent project activity will be within the human resources divisions, which deal mainly with social-services delivery, rather than as part of sector work on agriculture, industry, energy, urban development and infrastructure. This guarantees that poverty will not be treated as the economic issue that it so clearly is at a time in history when adjustment is helping to drive more and more people into poverty around the world.

Whether one looks at what the Bank is doing overseas or at its inner workings, the message is clear: there is no real commitment to poverty alleviation, only to the continuation of orthodox adjustment programs. Alternative strategies that focus on food sufficiency, the small food producer, women's roles as producers and providers, the integration of agriculture with industrial production, the selective protection of key productive sectors and the expansion rather than diminishing of the purchasing power of the poor majority will receive little attention.

Ten years ago, many who worked with the poor in the Third World warned of the consequences of addictively following the IMF's and the World Bank's adjustment prescription. Their appeal to us is now our appeal to you: enough is enough. We ask you to help put an end to these policies which have caused so much misery around the world. Whether it be funding for the IMF or IDA -- two issues on which coalitions of development and environmental NGOs in this country are working -- put a halt to additional funding until the adjustment programs they finance are jettisoned or fundamentally revamped in conjunction with affected citizen groups in the respective countries.

It is all too easy in this town to assume the cloak of professional credibility by merely accepting and mouthing the views of the Bank, the Fund and the so-called development experts. The problem is that they have been so deadly wrong. It is far past time to listen to the people themselves. If we do not, and we inflict another decade of suffering upon them, we will all bear responsibility for the consequences.