STATEMENT OF THE DEVELOPMENT GAP ON THE PROPOSED MULTILATERAL AND G7 DEBT-REDUCTION PLAN

Rejection of IMF Policies and Expanded Role in Debtor Countries

The proposed debt-reduction plan agreed upon at the 1999 International Monetary Fund/World Bank Annual Meetings, rather than freeing governments to respond to calls from their citizens for real poverty-reducing measures, has further enhanced the power of the IMF to restructure national economies for the benefit of local and foreign elites. If financed, the plan would result in: more, not less, poverty; more, not less, debt; and more, not less, power and opportunities for international policymakers and bureaucrats to intrude into the lives of the world's poor, working people and small producers, about whose rapidly deteriorating circumstances they have demonstrated little knowledge and even less interest.

The plan developed by the IMF and the U.S. Treasury reflects a serious misrepresentation of the perspectives of civil society worldwide as they seek to divert the public focus from the poverty-generating economic adjustment policies that the Fund, along with the Bank, has imposed on countries for the past two decades. Accordingly, while we remain committed to the goal of lifting the debt burden from the people of the South, we join the Jubilee South campaign and others across the Third World in rejecting the current plan. More specifically, we do so for the following principal reasons.

1. The plan conditions debt reduction on further adherence to poverty-inducing and debt-creating structural adjustment programs. The IMF is reviled around the world by ordinary citizens for its persistent and procacious imposition of economic policies that have enriched the powerful while devastating poor and working-class families, small and medium-sized farms and businesses, and local communities and environments. The Fund, which for two decades has refused to acknowledge the obvious growth of poverty and inequality in the countries to which it lends, much less the major contribution that its stabilization and adjustment programs have made to this debacle, now pontificates on the "woefully" slow progress in eradicating poverty. Its continued imposition of adjustment programs will deepen unemployment, further drive down wages, destroy more small producers, continue to undermine food security, place further burdens on women, and increase the destruction of the natural environment. Furthermore, an analysis of World Bank figures indicates that structural adjustment programs also increase foreign debt, an irony that has been conveniently ignored in the effort to tie the heavily indebted countries more tightly to adjustment policies. Uganda has already seen its debt burden grow since it became the first entrant in the HIPC debt-reduction program.

2. The expanded HIPC plan is a back-door mechanism for gaining additional funding for the IMF's failed Enhanced Structural Adjustment Facility. ESAF has been used by the Fund to control the economies of the world's poorest countries, which, according to both internal and external assessments of ESAF, have sunk into greater poverty under IMF tutelage. The U.S. Treasury proposes diverting to ESAF one half of the proceeds from the revaluation and investment of gold that would otherwise finance debt reduction. Such funding, if approved, would make ESAF self-sustaining and thus no longer subject to Congressional oversight. The joining of HIPC and ESAF at the hip is part of the U.S. and IMF strategy to exploit for their own political purposes the good intentions of others aimed at achieving debt reduction.

3. The plan conditions country eligibility on the implementation of "poverty reduction" schemes that do not address the policies engendering increased poverty. For two decades, the Fund and the Bank have contended that the correct economic policies would create the environment for meaningful development. Now, despite the Bank's acknowledgment that this has failed to happen, the trade, investment, privatization, monetary, financial-market, labor-market and other measures that have comprised adjustment programs are still not open to examination and fundamental change by countries seeking to reduce poverty under the proposed debt-cancellation plan. Instead, they are left to address the fallout from those policies through expanded education and health services, social funds and better social policy, an inadequate social-welfare approach at best. The Fund's recent statement that "... the complementarity of macroeconomic, structural, and social policies will now be given greater recognition" is a clear and disquieting indication that orthodox IMF adjustment policies that have caused crisis after crisis around the world will continue to take precedence.

4. The IMF would be given the additional role of imposing, and determining the adequacy of, poverty-reduction programs. With the IMF's stock so low around the world, perhaps the greatest and most outrageous irony in the proposed debt-reduction plan is the far greater penetration that it would allow the Fund into the societies of its client countries. Its new role as judge and financier of anti-poverty programs is a frightening prospect given that the institution remains wedded to an orthodox adjustment paradigm and has demonstrated that it knows considerably less about poverty than the Third World poor know about classical economics.

5. The plan would allow the IMF to determine the adequacy of government consultations with civil society. For decades, the Fund has imposed its will on the countries of the South, reshaping their economies with virtually no input from the millions of people affected by their policies. Farmers, workers, consumers, small entrepreneurs, indigenous people and many others have taken to the streets to express their anger and frustration, but to little avail. Not only has the Fund failed to respond, but it has ensured that governments are unresponsive as well by threatening a cut-off of all international financing if its adjustment policies are not implemented. Now the institution that has undermined democratic processes around the world as it forces the adoption of poverty-inducing measures is set to be the arbiter of the adequacy of citizen involvement in the design of poverty-reduction programs. Perhaps this, more than any of the other shortcomings of the proposed debt-reduction plan, reflects just how far out of touch international policymakers are with Third World realities.

October 1999

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