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"People and the Debt Crisis - Challenge for NGOs"

Submitted by Special NGO Committee on Development

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Introduction

According to the Declaration on the Right to Development, development is a "comprehensive economic, social, cultural and political process which aims at the constant improvement of the well-being of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of benefits resulting therefrom." The present debt crisis is reversing progress that has been made in this direction, and is itself the result of development strategies that have been preoccupied with economic growth to the detriment of human beings.

In light of the growing social, economic, and environmental deterioration in both developing and industrialised countries - hunger, poverty, disease, unemployment, food riots, and ecological degradation - the Special Non-Governmental Organisation (NGO) Committee on Development in Geneva organised an international conference to explore the role of the debt crisis as a contributing factor to this critical situation. The conference heard the voices of the victims of the debt crisis and learned about its impact on women, children, workers, indigenous people, and from those striving to protect nature from devastation by over-exploitation. The conference set out to examine solutions - both those that have to date failed as well as alternatives that might help reverse the trend towards greater deterioration and bring about genuine development. Finally, the conference sought to challenge and stimulate NGOs to mobilise nationally and internationally for informed and coordinated action.

NGOs have been at the forefront in questioning the legitimacy of large parts of the debt and in proposing solutions to the debt crisis. While UNCTAD, for example, presses for 30% debt reduction, NGOs and governments in different parts of the world have called variously for cancellation of the debt because their countries cannot possibly continue to pay; for debt suspension or a moratorium on payments for several years (or centuries); or for disengagement from portions of the total debt that were illegitimately incurred, misappropriated, or squandered on useless projects. Others have put forward plans for democratic development that would involve the use of precious resources for direct domestic investment rather than for outflow to northern banks.

NGOs concerned with development, peace, justice, human rights, and environmental protection are challenged to learn about the debt crisis and to take steps to combat its root causes. Coalitions and networks focusing on the debt issue are springing up in many countries and across national boundaries. An Ecumenical Fund to Combat Debt and similar funds are being established by NGOs to help developing countries. Much more can be done.

This report on the conference "People and the Debt Crisis - Challenge for NGOs" cannot reflect the varying views of the wide variety of NGOs that participated. It does, however, seek to serve as a document for thought and reflection, to assist NGOs in their development education campaigns, and to stimulate discussion and action within the NGO community to meet this challenge.

People and the Debt Crisis — Challenge for NGOS

1. INTRODUCTION

1.1. The Special NGO Committee on Development (Geneva) organised an international conference on "People and the Debt Crisis — Challenge for NGOs" at the United Nations in Geneva from 27 to 29 November, 1989.

1.2. The objectives of this conference included the following :

(a) to understand how the debt crisis affects the poor in the countries of both South and North and the inadequacy of solutions prescribed so far, whether by lending agencies or by the governments that are recipients of loans; and

(b) to evolve ways to amplify the voice of the victims of the debt crisis and to strengthen the role of NGOs at all levels by proposing alternate solutions for dealing with the crisis.

1.3. The conference brought together more than 75 participants representing international and national NGOs, the United Nations, its Specialized Agencies, the World Bank, governments, research groups, students, and the press. Invited speakers from the Philippines (Asia), Brazil (Latin America), Senegal (Africa), USA (North America), and Poland (Europe) and the Transnational Institute addressed the conference.

1.4. Mr. K. Nyamekye, Deputy-Director of the UN Centre for Human Rights, spoke on behalf of Mr. Jan Martenson, Director-General of the United Nations Office at Geneva. He drew attention to activities of the Centre which bear relevance to the debt crisis and summarized international standards and implementation of rules.

2. A GLOBAL OVERVIEW OF THE DEBT CRISIS

2.1. In 1986, the debt owed by Third World countries, passed the trillion dollar mark, and in 1989 stood at US\$1,300,000,000,000. This unprecedented financial burden has not only disastrous economic consequences, but profound implications for relations between rich and poor countries, for citizens of both the North and the South, and for the prospects of a peaceful world.

2.2. The debt crisis has highlighted the unsustainability of some current models of development, especially when based on excessive military and police establishments, prestige projects, export-oriented economies and the enrichment of a small elite to the detriment of the poor. The local consequences are increased hunger, poverty and destitution in the Third World.

2.3. In order to earn hard currency, developing countries have had to compete on the world market by exporting raw materials, agricultural and mineral products, and basic commodities that are essential to maintaining the economic base in these countries. In order to pay their debts, many countries have had no choice but to borrow from the International Monetary Fund (IMF) on strict terms and conditions through "structural adjustment" programmes (also known as "austerity measures" or "stabilisation programmes").

2.4. This dependency on IMF conditions of borrowing has meant drastic cuts in health, education and welfare programmes, neglect of the environment, and the diversion of precious human and financial resources from basic food production (on which the survival of the poor depends) to export (cash crop) production in order to

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earn foreign currency to pay off interests on loans. The debt, therefore, is not only an economic issue but an ethical, theological, and political issue as well. The victims of the crisis claim it is impossible to repay the debt.

2.5. The crisis is not exclusive to Third World countries. Its consequences are felt also in the industrialised world. Increasing unemployment, cuts in education, welfare and social security programmes, social problems including drugs, and the privatisation of essential public services have affected large sections of vulnerable people in the West. In the countries of eastern Europe, recent changes have indicated a trend towards increasing privatisation and a reduction of social protection systems.

2.6. Debt rescheduling and the reduction of commercial and official debt, proposed as a solution to the debt crisis, merely perpetuates debt bondage and postpones the final crisis. This leads many people in Third World countries to conclude that the debt cannot be paid.

2.7. A "3-D solution" - debt, development and democracy - was proposed. It would involve a process of creative reimbursement whereby the debt issue could become an effective tool for people's participation in determining their own development.

3. DEBT AND HUMAN RIGHTS

3.1. The problem of debt is inseparable from the problem of human rights. It has a direct bearing on the daily lives of the people insofar as in many countries of the Third World even the most basic needs are not met. Many people are subjected to political repression and other gross violations of human rights.

3.2. The fact that debt creates economic instability in many countries of the Third World is in itself a threat to the protection and promotion of human rights. Furthermore, unjust international and national economic orders have often been a source of political instability and conflict. Thus, hunger and destitution, food riots, workers' agitation, and peasant unrest are symbolic of the social impact of the debt crisis as it is experienced in various parts of the Third World.

3.3. Many governments today are preoccupied with economic growth and neglect basic human development especially of the poorer sectors of society. In this logic human beings are considered mere "factors of production" instead of being subjects of development. It is in this context that we need to look at the debt crisis within the overall framework of the right to development.

3.4. We need to take as our basis of analysis the Universal Declaration of Human Rights which seeks to protect and promote the fundamental rights (economic, social, cultural, civil, and political) of all citizens. These rights are based on human dignity, which is often violated by the debt crisis.

4. IMPACT ON WOMEN AND CHILDREN

4.1. In both the industrialised and developing countries women and children are particularly vulnerable to economic crisis. Structural adjustment programmes adopted as a measure to overcome the debt crisis are not gender-neutral. Thus, women and children in the formal and informal sectors remain vulnerable, and the situation has worsened.

4.2. Excessive export-oriented agriculture and industry — an important feature of this policy — has had a severe impact on women and children. Most women work in the informal/domestic sector. They are relegated to the periphery of the international division of labour. The logic of export orientation pushes women and children to those areas of work where the dollars are: prostitution, migration to cities and overseas, and homelessness on the streets for millions of children.

4.3 In many parts of the Third World, militarisation and political violence have been accompanied by an increase in violence against women, including domestic violence, the destruction of family and community life, political repression, and intimidation of women, especially in the countryside.

4.4 Increased labour time for women, both in and outside of the home, has meant lack of time for political and social participation.

5. IMPACT ON WORKERS

5.1. The impact of the debt crisis on workers is particularly felt in the following areas:

- a) structural adjustment and its social costs — wages, welfare and social security
- b) privatisation of economy
- c) transnational corporate investments
- d) export crops at the cost of food crops and
- e) restructuring of ownership, unemployment, and loss of land.

5.2. The debt crisis has also been responsible for a vast expansion of the underground economy. In Brazil, for example, about US\$120 billion (one third of the value of the GNP) is made up of underground transactions. The increase in clandestine employment (in the informal or hidden sector of labour) has grown rapidly. Inevitably, therefore, the indices of marginalisation, impoverishment and urban violence have also increased.

5.3. The impact on industry and on workers in the industrialised countries should also be noted. In recent years we have seen a massive loss of employment in agriculture and some industries. The Joint Economic Committee of the United States Congress in June 1985 revealed a loss of 800,000 jobs resulting from the Latin American debt crisis alone. Moreover, taxpayers in these countries have also been affected.

5.4. A long-term solution involves choosing alternative models of development and modernisation which would stress human development, self-reliance, social and environmental sustainability and democracy. Such models would give priority to labour, self-determination, social justice and equality, national sovereignty and solidarity among the people most affected by the debt.

6. IMPACT ON THE ENVIRONMENT

6.1. The environmental crisis which today confronts the world on a massive scale has been a consequence of maldevelopment. The environment, nevertheless, is intimately related to sustainable development. The impact of the debt crisis on environment is a factor in both industrialised and developing countries. There is a need for a new ethical and philosophical concept of development to address these problems.

6.2. Some of the problems worsened by the debt crisis include acid rain, depletion of the ozone layer, and the greenhouse effect. Further massive deforestation and over-exploitation of natural resources have been introduced by countries undergoing structural adjustment to meet IMF demands to export raw materials.

6.3. The search for alternative sources of energy and research on environmental issues in general require massive cooperation between industrialised and developing countries. It was suggested that some debt could be converted to covering the costs of such research by local NGOs and institutes.

6.4 The growing awareness of the international community on ecological and environmental issues needs to be strengthened with the right kind of information and education in both North and South in order to establish the linkages between the debt crisis and environmental problems. A specific task for NGOs in this context is to ensure

implementation of international standards relating to development, debt and environment promulgated by United Nations, its Specialized Agencies and others.

7. PERSPECTIVES FROM DEVELOPED COUNTRIES

7.1. The conference discussed perspective on the debt crisis from the viewpoints of capitalist and socialist economies.

7.2. For capitalist economies the debt crisis has been viewed as largely a technical adjustment problem, especially by international private banks. While the technical solutions to the debt crisis might be simple, they do not address the underlying socio-economic and political causes.

7.3. The secure position of private banks vis-à-vis the debt crisis is determined by the fact that they rely on support from international financial institutions (IMF, World Bank), and a few industrialized countries (Federal Republic of Germany, Japan, and the United States).

7.4. The US government accumulated its public debt through successive budget deficits that were due in part to excessive military expenditures. The budget deficit contributed to the rise in interest rates to unacceptably high levels. These policies, and falling commodity prices among other factors, helped to trigger the debt crisis in the Third World and resulted in poverty, homelessness, illiteracy and social problems for a growing number of people in the US itself.

7.5 The US has run into increasingly large trade deficits, forcing it to borrow heavily from the surplus countries of Japan and the Federal Republic of Germany. Its trade deficit indicates that the US consumes more of the world's output than its economy produces, and the country has to borrow from abroad to make up the difference.

7.6 The conference was held at a time of major economic and political change in eastern Europe. Whereas it is difficult to predict how events will develop, the debt crisis is already being linked with deterioration in living standards of the poorest sectors of the population.

7.7. The economic systems of these countries have been characterized by the subordinated role of the private sector; the pervasiveness of administrative intervention and control to achieve economic and social policy goals, and stress on achievement of certain socio-political objectives such as full employment, social security, price stability, rapid growth, and a socially equitable distribution of income.

7.8 The effects of the debt crisis on the poor in socialist economies are in danger of worsening due to higher prices of basic food stuffs as a result of cuts in subsidies and imports; cuts in government expenditures for social services, especially health and education; environmental degradation and wasteful exploitation of natural resources to service debts; and growing unemployment.

It was pointed out, however, that poverty in centrally-planned economies is not comparable to the grinding misery found in many other parts of the world. The negative effects are cushioned by social security systems developed during the previous period and, in countries like Poland and Hungary, by politically motivated economic help from capitalist countries.

8. WORLD BANK VIEWS

8.1. The perspective of the World Bank was presented. The Bank has experienced difficulties in communicating with various governments in relation to their respective economic policies. In many countries of the Third World, governments are not in control of the economic and political situation and are characterised by

mismanagement, corruption, and bad planning. The World Bank and the IMF have emphasised the need for self-reliance, import liberalisation and economic stability. However, some countries in the Third World have preferred to be "excluded" from the world market, but this has not succeeded. According to the World Bank there is no safe solution to the debt crisis.

8.2. The World Bank is of the opinion that "under-development" means low productivity, lack of skills, illiteracy, high population, and so on. The international market does not favour the powerful as much as the national governments and policies do.

8.3. The World Bank representative admitted that the Bank has yet to find real solutions to alleviate the basic problems of hunger and destitution in many debtor countries. Representatives of Third World NGOs expressed the belief that the World Bank and IMF are putting forward a development model that is not in line with their people's needs. Various suggestions calling for cancellation, suspension, reduction, or repudiation of the debt were proposed.

9. RECOMMENDATIONS

This conference, having deliberated on the above and taking note of the work done in its four commissions, adopts the following recommendations as a guideline for future activity for NGOs in seeking a solution to the debt crisis:

9.1. PUBLIC EDUCATION AND INFORMATION DISSEMINATION

- To publicise information and knowledge on the social and human costs of the debt crisis in the North and the South, particularly the implications of structural adjustments and debt servicing strategies.
- To pressurise governments to examine their economic policies and incorporate a vision of social justice and human rights in their policies and plans. In this context, NGOs need to pay particular attention to pressurising governments to direct the trillion dollars spent each year on armaments and military programmes towards development projects and programmes to address the needs of the poor, with special emphasis on the peaceful resolution of conflicts, be they in Central America, southern Africa, the Middle East, southeast Asia or elsewhere.
- To mobilise the participation of national NGOs at local levels, establish South-South linkages and sharing of information, and strengthen coalition and solidarity networks on the debt issue between the poor in the South and the North.
- The public education activities of NGOs must include an emphasis on the environment and sustainable development. NGOs should pressurise governments and education authorities to include environmental issues in school curricula and in their public information campaigns.

9.2. CAMPAIGNS AND LOBBYING

- NGOs should campaign for and monitor the implementation of recognised legal standards and codes of conduct, including the UN Declaration on the Right to Development and the Universal Declaration on Human Rights by all governments, by UN organs and Specialized Agencies engaged in finance, trade and development activities, and by multilateral organisations such as the World Bank, the International Monetary Fund and GATT.
- Human rights criteria should be applied at all stages of the development project cycle — selection, planning, implementation and evaluation - and in relation to economic planning and resource allocation in all countries.

- **NGOs should carry out local studies on the impact of development projects and structural adjustment on human rights, and mobilise public opinion with the information generated in such investigations.**
- **NGOs should exert pressure on their governments in the North to repudiate all loans made for development projects that were not based upon respect for human rights, in particular the right to development.**
- **NGOs should monitor and protest instances in which development workers are labelled by certain governments as "subversives" or "communists," thus exposing them to the danger of military or vigilante attacks.**
- **In campaigns and lobbying work, NGOs must pay special attention to the more disadvantaged sections of society — women, children, the elderly, workers, peasants, minorities and indigenous peoples.**
- **NGOs should play an active role in opposing such negative official practises which give natural resources away in the form of payment of external debt and interest.**

9.3. NETWORKING AND COALITIONS

- **NGOs should initiate and strengthen lines of exchange and solidarity between the debtor and creditor countries, among workers, trade unions, NGOs, women's movements, human rights organisations, peace movements, socio-economic self-reliance projects, and so on. These broad-based "coalitions of peoples organisations" should initiate international public information campaigns on the social costs of the debt crisis and its impact on people in the industrialised and developing world. They should bring this to the attention of national governments, international financial institutions, UN agencies, the media and the international community.**

9.4. NGO INITIATIVES

- **Any response to the debt crisis and development strategies should be based upon respect for human rights, in particular the right to development.**
- **NGOS as well as intergovernmental organisations and governments must ensure that debt concerns are taken into account in all international and national development projects and agreements.**
- **- NGOs must ensure that environmental concerns are included in all international and national development projects and agreements. They should encourage support for the proposal to have public debt paid in local currency, the proceeds of which would constitute a national development fund to be managed by the state and by democratically-chosen representatives, with special provisions made for fair representation of women, rural people, ethnic minorities, and indigenous peoples. Such funds should be used to finance development projects proposed by local NGOs, feed revolving credit schemes for small loans, and provide salaries for ecological preservation and renewal.**
- **NGOs should support proposals such as that put forward by Freedom from Debt Coalition in the Philippines, which would involve declaring a moratorium on foreign debt service payments until acceptable terms based on Philippine capacity to pay are ensured in a new rescheduling agreement; disengaging from loans that did not benefit the people, particularly those tainted with fraud; refusing to assume private borrowings; thoroughly investigating government officials, institutions, and other entities involved in irregular loan transactions and prosecution of those responsible; limiting foreign debt service to not more than 10% of export earnings to enable the country to finance economic recovery; government opposition to IMF and World Bank conditions such as wage restraints and currency devaluations which deny the people**

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economic well-being and hamper local Philippine industries; the use of funds saved from debt servicing for pressing needs such as genuine agrarian reform, Philippine-led industrialisation, education, health and housing; and developing effective options to counter possible retaliatory moves by creditors.

- NGOs should support the petition by a group of Swiss NGOs to create a special fund of SFr 700 million (symbolic of the Swiss Confederation's 700 years) which is aimed at facilitating debt reduction among the poorest countries.

- Support the project of some French NGOs to set up a fund to promote local initiatives and to provide credit and investment funds for activities aimed at establishing local, indigenous and self-reliant production, and managed by the poorest and most disadvantaged social sectors and groups. Funds from northern NGOs, local banks and others should also help to set up small financial and credit institutions to be managed by southern NGOs and grass-root organisations.

Geneva, 29 November 1989