



**UK WOMEN'S
INTERNATIONAL LEAGUE
FOR PEACE AND FREEDOM**

Development, Debt and Women

What does WILPF say about Debt?



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In a paper to UNCTAD in 2005 WILPF wrote

*"The lending systems developed under 'free trade' also tend to exacerbate existing poverty and inequality. These lending systems enable those with control over international finances, operating through the International Monetary Fund, the World Bank, and private international banks, to impose harsh and debilitating conditions on communities who are in need of capital. **As a result, many debtor countries now spend more money on servicing their debts to international banks than they spend on crucial services for their citizens.***

Moreover, international banks gain leverage over debtor country's policy-making, with the consequence that national policies often reflect the interests of banks rather than wise national planning or social welfare. In particular, banks have compelled debtor countries to restrict healthcare, education, and food distribution as a condition of loans. Such practices not only create disease and hunger crises but, in debilitating the country's human capital, further undermine the country's ability to participate as equal players in the world market."

In a statement addressed to G8 governments prior to the meeting in Evian in June 2003 WILPF called for:

- *100% cancellation of debts incurred as a result of loans made during the period when loans were too readily granted to governments that were not democratically elected and when interest rates were low.*
- *the UN to be the arbiter in deciding which countries should receive this debt cancellation*
- *no policy conditions such as trade liberalisation to be attached to debt cancellation*
- *subsidies for development, particularly those relating to water supplies, not to be directed through foreign investors but directly to the countries concerned*
- *women, whose labour is essential for the correct functioning of any country, to be at all times part of negotiating bodies.*

In a second paper **WILPF made these recommendations:**

- *"The unpayable debts of the world's poorest countries should be cancelled in full, by fair and transparent means.*
- *There should be cancellation for all countries that need it.*
- *No harmful economic policy reforms should be demanded.*
- *Debt cancellation funding should not come from aid budgets.*
- *Bodies should be set up within the countries concerned to oversee how the benefits of debt cancellation are used and that the poor and particularly women are adequately represented on these bodies.*
- *The funding for these should come from reduction in military expenditure, aviation tax and tax on financial transactions."*

What does the UN say?

At the 52nd session of the **Commission on the Status of Women in February/March 2007, Secretary General Kofi Annan** reported on "Financing for Gender Equality and the Empowerment of Women".

In his summary, he pointed out that at the Millennium Summit in 2000, governments had committed themselves to promote gender equality, and said:

"The economic gains from gender equality and women's empowerment need to be highlighted." *Global leaders at the 2005 World Summit acknowledged that "progress for women is progress for all."*

In paragraph 52: *"The debt burden of countries can have a disproportionate impact on women and girls, especially if debt servicing leads to cuts in public spending in the areas of health and education. This reduces women and girls' access to health services and education, and increases their care giving burden.*

Debt cancellation can be beneficial to women if resources can be diverted to financing for gender equality and women's empowerment. For example, some countries used debt relief to help fund education programmes on nutrition and family planning.

Conditionalities on debt relief should not undermine national efforts to promote gender equality and women's empowerment."

Among the "Conclusions and Recommendations" were two relating to debt:

"Eliminate conditionalities in debt relief initiatives and debt financing measures that lead to the perpetuation or exacerbation of gender inequalities, and earmark resources released by debt relief to address specific gender equality targets and benchmarks agreed upon in the Platform for Action and the MDGs.

"Ensure that international financial institutions take gender perspectives into account in loan approvals, debt servicing and debt relief, in compliance with commitments to gender equality."

Outline History:

In the 60s and 70s, when surplus money from oil discoveries in western banks needed to be used, loans at low rates were offered to developing countries. As interest rates rose, debt servicing costs rapidly increased the size of the loans so that servicing these debts became increasingly burdensome. **Pressure was applied to debtor governments by world financial institutions such as the World Bank and the International Monetary Fund to cut social spending in order to pay the interest on the debts.**

The World Bank web-site gives this summary of how the debt became unsustainable:

"A build up of foreign debt owed by many low-income countries throughout the 1970s and 1980s, combined with low growth, falling commodity prices, and other economic shocks, left many nations with unsustainable debt burdens. By 1992, the 33 most indebted low-income countries faced debts whose present value had more than doubled in ten years to over six times their annual exports. Starting in the late 1980s, the Paris Club and other bilateral creditors rescheduled and forgave many of these debts. But by the mid 1990s, with an increasing share of debt owed to multilateral lenders such as the World Bank, the IMF, and regional development banks, a new debt relief initiative was called for, involving these creditors, to address the concern that poor countries' debts were stifling poverty reduction efforts"

Were the loans used wisely?

In general, these loans were not wisely used; developing countries had to make quick decisions, with little consultation, about accepting the loans and using them. (Unused money in banks would have been wasteful as interest had to be paid on the loans.) Some loans were used for ambitious/prestigious projects; some were used corruptly by those in power; some leaders who had control of the money had not been democratically elected. The ordinary citizens had no say in how loan money was used.

Debt Remission, Conditionality and the Burden on Women

In 1996, the World Bank and the IMF set up a process called the HIPCI (Highly Indebted Poor Country Initiative). This called for debt relief to be provided by creditors but laid conditions on debtor countries seeking remission. As Kofi Annan noted in the 2003 report referred to above, conditionalities led to ***"the perpetuation or exacerbation of gender inequalities."***

Hence, instead of improving the lot of the poor, 70% of whom are women, they were deprived of amenities. Basic services such as clean water, sanitation, hospitals, educational facilities and medicines were either cut or, in places where they did not yet exist, plans to make provision were halted. Women were expected to pick up the burden of caring for the sick and elderly, carrying water etc, as well as looking after families and their small farms or businesses. If families could afford to educate some of their children, boys were more likely to receive the education than girls; women's time and energy was fully taken up with coping leaving none for their own development or for meeting in their communities.

Promises

Pledges made at the G8 Cologne meeting in 1999 amounted to 30% of the debt cancellation sought by the Jubilee 2000 coalition at that time for the 52 poorest countries of the world. **The amount actually remitted by 2003 was actually only 3%, less than 1% of the amount that was asked for.**

G7 finance ministers declared in February 2005 that they were committed to up to 100% debt cancellation, but failed to decide on a common policy to implement this.

Following the G8 meeting at Gleneagles, Scotland in 2005 the WB, the IMF and the Africa Development Bank agreed to remit 100% of the debt owing to them by the HIPC countries that had reached "completion point" i.e. fulfilled the requirements laid on them.

Is Debt Remission Being Used Wisely?

An article about Niger on the IMF web-site written in January 2008 by two members of the IMF Africa Department says that:

"In the landlocked Western African country of Niger, lower debt service, together with continued significant budgetary aid and higher domestic revenue mobilization, is having an impact on spending in education, health, and the rural sector, where budgetary allocations increased by 4 percent of GDP between 2002 and 2007." It also makes reference to the increasing the confidence of investors following the reduction in armed conflict and instability and lower Debt levels and continues

"The higher spending associated with debt relief has resulted in progress in improving key social indicators, which are among the weakest in Africa. The country is finally moving up in the rankings of the UN Human Development Index.

The infant mortality rate dropped from 156 deaths per 1,000 births in 1997 to 81 per 1,000 in 2006. Under-5 mortality is still among the highest in Africa.

- The primary school completion rate improved from 16 percent in 1997 to 28 percent in 2005. Overall primary school enrolment is among Africa's lowest.*
- Access to potable water increased from 40 percent in 1996 to 69 percent in 2005."*

(ii) The 2003 United Nations Development Report states that *"Governments are using debt reduction received to improve health and education"* and gives examples: Uganda had almost achieved universal primary education; Mali, Mozambique and Senegal were planning to use money saved by increasing their spending on HIV/Aids prevention.

(iii) Another report states *"in Ghana, debt cancellation has been used to fund free early education, and in Mali, the funds were invested in improving the water supply and roads"*.

(iv) The World Bank web-site Overview "Debt relief at a glance" updated April 08 gives this account of how money from debt cancellation is being used:

"The decrease in debt-service has been accompanied by an increase in poverty-reducing expenditures, such as health, rural infrastructure, and education. In post-decision-point HIPCs, these have increased on average from under 7 percent of GDP in 2000 to 9 percent in 2006. In nominal terms, poverty-reducing expenditures amounted to US\$17 billion in 2006, which represent an increase of US\$3 billion since 2005. These expenditures are more than five times the level of debt-service payments."

The current situation as described on the WB web-site Overview "Debt relief at a glance" updated April 08

"The World Bank Group provides debt relief to low-income countries through the Debt Relief Initiative for Heavily Indebted Poor Countries (HIPC), created in 1996, and the Multilateral Debt Relief Initiative (MDRI), created in 2006.

Thirty-three countries are receiving debt relief under one or both of these Initiatives and eight other countries are potentially eligible. This debt relief is worth around US\$70 billion in 2006 net present value (NPV) terms if all creditors participate. For these 33 countries, World Bank debt relief is expected to total about US\$25 billion in 2006 NPV terms, of which US\$11 billion is being provided under the HIPC Initiative and about US\$14 billion under the MDRI. If all potentially eligible countries qualify, total World Bank debt relief is estimated to rise to about US\$31 billion in 2006 NPV terms.

"Debt-service payments of the 33 post-decision-point HIPCs – those that have qualified for debt relief – have declined as a result of the HIPC Initiative and the MDRI. For HIPCs, the median debt-service payment per capita has decreased from US\$9.2 in 2000 to US\$4.5 in 2005 – a reduction of more than 50 percent."

Remission Process

The HIPC Initiative was enhanced in 1999 to provide deeper, more rapid relief to a wider group of countries, and to increase the Initiative's links with poverty reduction.

By mid-March 2008, 33 countries had benefited from HIPC debt relief, 23 having reached the completion point, at which debt relief becomes irrevocable, and ten more receiving Interim assistance. A further eight countries are potentially eligible for HIPC debt relief, pending the agreement of macroeconomic reforms, poverty reduction strategies, and/or arrears clearance plans.

Illegitimate Debts

A paper in the Third World Network Feb/March 2007 magazine argues that *"Industrialised countries that knowingly lent billions of dollars in 'irresponsible' debts to corrupt and dictatorial regimes in poor nations should cancel the debts and reconsider their harmful policies."*

Debt Repudiation

Some individuals and NGOs are arguing that debtor countries should refuse to pay such illegitimate debts. WILPF believes that there is a good case for this but that debtor countries should make decisions following consultation with all citizens and warning that such repudiation might make it difficult for the country to obtain loans in the future. Grass roots must be involved in the decision-making.

Vulture Funds

JDC defines a 'vulture fund' as *"a name given to a company that seeks to make profit by buying up 'bad' debt at a cheap price, then trying to recover the full amount, often by suing through the courts."*

In 1999, a 'vulture fund' called Donegal International bought a debt owed by Zambia, originally worth \$15 million and then valued at about \$30 million, for a knock-down price of \$3.3 million. It then sued Zambia in London for the full amount, plus compound interest – a staggering total of over \$55 million! The judge rejected the size of Donegal's claim, after Zambia fought back in the courts. But he nevertheless ruled that under law Donegal was entitled to something from Zambia, and awarded it in its favour.

New campaigning initiatives

WILPF notes the Eurodad Responsible Financing Charter 06 February 2008 which charter demands changes in loan contracts to sovereign states aiming to provide "guidance, fairness and certainties to borrower states and lenders as well as protect the citizens and environments of developing nations." and lead to *"internationally recognised legal standards for responsible financing."*

One factor related to this is that The Norwegian Government decided in October 2006 "to cancel US\$80mn in debt owed by five countries because the credits had been extended irresponsibly without due consideration for the needs of the recipient countries." NGOs have for some time lobbied for cancellation of 'illegitimate debt'.

New Dangers

We need to be aware of new debts being incurred and lack of transparency in negotiations as China provides African countries with loans sometimes to countries with large outstanding debts. And also of new problems relating to climate change and the current world financial crisis. And further pressures caused by food shortages.

Indigenous peoples must retain control of their seeds for future sowing and not be forced to use genetically modified seeds which would make them dependent on buying seeds for future sowing from the large controlling food corporations.

UK WILPF joins the Justice Debt Campaign

in demanding "that unpayable and unjust poor country debt be cancelled fully, quickly and without conditions, through a fair and open process."

And in calling "for governments to uphold the commitments they have made to women and ensure that agreements concerning loans, debt and debt cancellation do not violate their rights. Rich countries must immediately cancel all illegitimate and unpayable poor country debt, without imposing conditions from outside. And both debtor and lender governments must ensure that women play a full role in deciding how the funds released by debt cancellation are used and monitored".

UK WILPF Global Economic Justice Group May 2008

Sources

Information and Quotations from web-sites: <http://allafrica>; www.eurodad; www.jubileedebtcampaign.org.uk; Third World Network www.twinside.org. World Bank: worldbank.org; United Nations www.un.org; WILPF www.wilpf.int.ch

Acronyms

HIPC/HIPCI: highly indebted poor country/ highly indebted poor country initiative

IMF: international Monetary Fund

JDC: Jubilee Debt Campaign

MDGs: Millennium Development Goals

NGOs: Non-governmental Organisations (In this context they are the organisations that lobby on this issue.)

UNCTAD: United Nations Conference on Trade and Development

UNDR 2003: United Nations development report 2003

WILPF: Women's International League for Peace and Freedom

WB: World Bank

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