



THE LUTHERAN WORLD FEDERATION

LUTHERISCHER WELTBUND - FEDERACIÓN LUTERANA MUNDIAL - FÉDÉRATION LUTHÉRIENNE MONDIALE

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Item 10: Economic, social and cultural rights

FOREIGN DEBT AND HUMAN RIGHTS

Joint statement by the Lutheran World Federation, Franciscans International, Conference of European Churches

As has long been recognized in this forum, if not elsewhere, unsustainable foreign debt is a critical human rights issue. Insofar as the enjoyment of economic and social rights and of the right to development is denied to millions of people in heavily indebted developing countries as a result of crippling debt service obligations, the continued enforcement of those obligations constitutes a massive and systemic violation of human rights. Accordingly, we warmly welcome the appointment last year of a Special Rapporteur on the effects of foreign debt on the full enjoyment of economic, social and cultural rights, and only regret that the Commission does not have before it a first analytical report on this issue at this critical time.

In 1997, the United Nations Development Programme's Human Development Report declared that the Group of Seven and the Bretton Woods institutions should aim to end the debt crisis for the poorest countries by the year 2000. In that report it was calculated that, relieved of their annual debt repayments, the severely indebted countries could use the funds for investments that in Africa alone would save the lives of about 21 million children by the year 2000 and provide 90 million girls and women with access to basic education.

This cannot be said to be simply a problem of misapplication of national resources in the countries concerned - not when heavily indebted developing countries are typically required to expend 20 - 25% of export earnings on debt service payments before the international community recognizes the burden to be 'unsustainable'. An instructive comparison can be made with the terms of the London Agreement of 1953. At that time, a debt service to exports ratio of 3.5% to 6% was considered to be the maximum that could be paid without jeopardizing Germany's post-war economic reconstruction.

In its conception, the Heavily Indebted Poor Countries (HIPC) Initiative of the World Bank and the IMF held good prospects for a comprehensive approach to reduction of the unsustainable multilateral debt of those countries meeting the criteria for entry into the scheme. However, [concerns about the restrictive nature of those criteria have not been fully allayed by somewhat more liberal criteria introduced in April 1997 for highly open economies with heavy fiscal burdens of external debt despite strong efforts in mobilizing revenue.] The success of the HIPC Initiative must be judged on its outcomes, rather than on its prospects. The situations of three countries which have passed through the HIPC process are important indicators.

[**Mozambique** is one of the very poorest countries in the world. Only 30% of the population has access to clean water; only 40% has access to health services; only 24% of women can read and write. In June 1999, Mozambique will be due to receive relief amounting to over half of its total external debt of \$5 billion. However, Mozambique has only been able to pay such a small proportion of its scheduled debt service payments in the past that the practical effect of this rigorous process seems likely to amount to little practical benefit for the country. Deputy Finance and Planning Minister told parliament that “we conclude that the HIPC initiative will not produce any significant impact on the volume of future [debt service] payments.” Debt service in the three years before HIPC averaged \$111 million per year; after HIPC it will average \$100 million. The Mozambican government has therefore joined those calling for 100% cancellation of the debt.]

Uganda has one of the lowest life expectancy rates in the world. In 1994, life expectancy at birth was estimated at 40.2 years. In 1996, Uganda spent 20% of its export earnings on debt service payments, and its debt service to GNP ratio was 2.4% whilst health spending was a mere 1.6% of GDP. In the same year, Uganda’s external debt amounted to approximately \$170 for every man, woman and child, in a country in which over half the population earn less than \$100 a year. Uganda was the first country declared eligible for HIPC assistance. However, despite having a track record of over a decade of reform and strong economic performance, Uganda still had to wait for a year for debt relief amounting to \$350 million (when discounted to today’s values), or 20% of its total external debt. Uganda has taken the lead and set an example in pledging a transparent and accountable means of connecting debt relief to primary education spending and other poverty alleviation measures. However, the pre-HIPC annual debt service bill of \$150 million per annum is only expected to be reduced by approximately \$15 million per annum. In addition, in no way does the HIPC process take into account the fact that a large proportion of Uganda’s debts were contracted by the dictator Idi Amin, who was granted the loans by lenders who could not have had any realistic expectation that there would be accountability for the use of those funds. In any event, the benefits of HIPC seem to have been very short-lived for Uganda. In the House of Commons on 3 February 1999, the UK development minister Clare Short stated that, as a result of the fall in coffee prices, Uganda is “as badly off as it was in the first place.”

[**Guyana** became, in December 1997 the fourth country to win approval for debt relief under the HIPC initiative and the first under the more liberal fiscal/openness criteria established in April 1997. In 1997, after having completed a series of IMF-supported structural adjustment programmes, Guyana was obliged to spend 56% of revenues on meeting external debt service requirements. The debt relief package under HIPC, delivery of which has currently been delayed, amounts to \$253 million in net present value terms, or to debt service relief of \$25 million per year over 20 years. However, it is estimated that the HIPC implementation will free up only an additional 2%-3% per annum for social sector spending - and this in a country where, in 1995, only 4.1% of GNP was spent on health as compared with 20.3% on debt service. In addition, the excessive number of micro-conditionalities in the HIPC package for Guyana leads to a situation in which the budgetary process is transformed from one in which economy-wide goals are identified and then backed with government expenditure policies, to one where the fulfilment of a number of externally-identified micro-targets is given precedence.]

It is clear from these examples that the HIPC Initiative is, in its current form and practice, a far from adequate tool in addressing the debt crisis in many developing countries. The essential fact for this Commission, and for the Special Rapporteur, is that, despite HIPC, millions of people around the world continue to be deprived of their basic human rights, to the highest attainable standard of health, to education, and to an adequate standard of living, as a direct consequence of levels of external debt which must *ipso facto* be regarded as unsustainable.

This and other international human rights bodies cannot effectively seek to hold governments to account for the progressive realization of the economic and social rights of their people so long as the means to secure those rights are tied up in debt service obligations. We therefore ask this session of the Commission on Human Rights to sharpen its message on foreign debt and human rights, and to add its authority to the call for outright cancellation of the unsustainable debts of the world's poorest countries by the year 2000. The spiritual and psychological *kairos* that the year 2000 represents provides an unrepeatable opportunity to muster the political will to provide a new and debt-free start for the peoples of the world's poorest countries.

8 April 1999