
The Washington Office on Africa

212 East Capitol Street • Washington, DC 20003 • 202/547-7503
woa@igc.org • www.woaafrica.org

World Bank and IMF Activities in Africa: Poverty Alleviation, Debt Relief, and HIV/AIDS

Testimony
before the Subcommittee on International Monetary Policy and Trade,
Committee on Financial Services,
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Submitted by
The Washington Office on Africa
The Revd Dr. Leon P. Spencer,
Executive Director

I am grateful to this Subcommittee and its Chairman, Congressman Bereuter, for the opportunity to testify today on international financial institutions and their appropriate contribution to poverty alleviation, debt relief, and HIV/AIDS prevention, treatment and care in Africa. It has been my great privilege to have been involved in Africa and with African partners all of my adult life. As an academic, I have written about justice in and toward Africa. As a mission appointee of the Episcopal Church to our sister churches in the Anglican communion throughout Africa, I have been able to live and work and serve with African partners in fulfillment of an African-defined agenda. As the Executive Director of the Washington Office on Africa, an ecumenical advocacy organization that embraces a broad spectrum of national church bodies and traces its origins to the struggle for liberation in southern Africa, it is my challenge to be a voice for a just US policy toward Africa, and to encourage individuals, congregations and grassroots organizations throughout our nation to be more deeply engaged in issues affecting Africa. With this experience, it is natural for me to be gratified to this Subcommittee for the opportunity to share some thoughts with you on matters of the greatest importance for Africa, about which I care very deeply, along the lines of the questions the Subcommittee has posed for this hearing.

I wish to highlight for this Subcommittee the specific actions that I consider to be most critical for US policy toward Africa as reflected in the work of the World Bank and International

Monetary Fund (IMF). The Subcommittee has already, in its title for this hearing, identified a trilogy of issues, and I affirm that these are indeed the priority issues: Debt, poverty alleviation, and HIV/AIDS initiatives. The question, of course, is what we do and don't do in regard to those issues.

What I bring to these issues, and to this hearing, is a deep conviction that we are called to speak to the common good. This is an ethical and faith-based perspective, and I acknowledge that it is one that economists and some political leaders have found convenient to dismiss as naïve. But it is *not* naïve to speak of community, nor to speak of our relatedness as that which demands priority in public policy – terms that carry with them an agenda far beyond the economic. I readily acknowledge economic mismanagement and misjudgment in many African economies – which can be said for much of the world, including ourselves – but it is, frankly, disturbing to me that there continues to be a presumption that “free market reforms” are directly correlated to “sustained economic progress” in Africa. Education, health care, employment training and opportunities, access to safe water and housing and so on – the list is substantial – are essential for economic development, and they require community-based rather than free market initiatives, for both ethical and pragmatic reasons. Moreover, the notion that fledgling African businesses can compete with multinationals – that somehow the playing field in the global economy is level – is one that should not be seriously entertained. It is not my intent to disparage economic structures that may empower individual Africans in their business pursuits, but rather to suggest that the international financial institutions have no right to insist upon economic structures within African nations that empower individuals and multinational businesses at the expense of the common good. The tragedy of the IMF and World Bank economic agenda is that it presumes – despite stunning historical and contemporary evidence to the contrary – that either there is no such thing as the common good or that an unfettered free market economy, divorced from societal considerations of human need and human hope, will speak to the common good. A free market economy is *not* a “moral imperative;” a broad-based social and economic development approach that seeks to address the rights and needs of human beings, who often live in stunning poverty, and who are confronted by systems largely defined by the West that do not serve their needs, is. Thus when we turn to the three issues this Subcommittee has rightly targeted, we must have some appreciation both of the *capacity* of Africans to define and promote social and economic programs that address their needs, and of the *responsibility* of our nation to encourage and challenge rather than to dictate. By so doing, we respect African understandings of their priorities, as ethically we should.

First, debt. As a member of the steering committee of Jubilee 2000/USA, I was very encouraged by the 100% bilateral debt cancellation for HIPC nations to which the US became committed. The real question before us now is whether we can continue with cancellation to the extent that clear and continuing benefits reach African nations, so that they may direct their resources toward health care, education (especially the needs of girls), and a rich variety of human development and poverty eradication programs; *and* whether we can move beyond the narrowly-defined HIPC countries to include other nations trapped in poverty and in debt.

The international community has committed to halving world poverty, achieving universal primary education, and reducing child mortality by two-thirds, by the year 2015. And

yet despite Zambia's progress in the HIPC process, for example, it is expected that it will average \$174 million in annual spending on debt service during the next five years, while expending only \$76 million on health care; this in a country where one out of five children will not live to the age of five. Consider, too, that the Gambia and Senegal will be spending 15-20% of government revenues on debt this year. Cameroon will be spending more on debt than on health and primary education combined. Twenty-two countries that have been through the HIPC process are still paying more on debt service than on health in the coming five years. And when we look at why, it is because the World Bank and the IMF remain the biggest creditors to poor countries. The 22 HIPC nations that have thus far qualified for debt relief continue to pay roughly \$215 million to the World Bank and \$287 million to the IMF in debt service annually.

We are able to say that the industrialized world has made real progress in bilateral debt cancellation, but the effect will remain limited in terms of poverty eradication and human development without multilateral debt cancellation as well. Yes, we can talk about Uganda's now placing every child in grade school, and about Mali, Mozambique, Senegal and Cameroon's increasing spending on HIV/AIDS prevention, but by no stretch of the imagination will the issue of the intolerable debt burden be adequately addressed until the IMF and World Bank confront their role in the continuing debt strictures that African nations face. No African nation that is serious about the 2015 goals should be denied the resources to achieve them, and debt cancellation is a key avenue to those resources.

☞ It is my firm recommendation, and that of colleagues across the spectrum of Africa advocacy, that the US should use its influence to secure 100% cancellation of debts owed by African nations to the IMF and World Bank from within their own resources and without attaching further economic reform or structural adjustment measures. The argument that they have insufficient resources is, at best, unconvincing. For example, the World Bank posted a \$2 billion profit last year.

Second, poverty eradication. Structural adjustment has been a failure, and it has been an arrogant failure. The evidence that these programs have actually undermined economic development increases, just as has the awareness that it was and is presumptuous of international financial institutions to define the economic agenda of sovereign African nations.

I readily acknowledge the debate among Africa advocates over conditions attached to debt relief. The position of the Washington Office on Africa has been that appropriate participatory structures that ensure that funds secured from debt reduction are directed toward human development and poverty eradication is an acceptable and positive condition. In that sense, the Poverty Reduction Strategy Papers process might be seen as a step forward; as a piece that serves to sustain the original structural adjustment conditions, of course it is not. And in any case, this process has been a slow one.

☞ Given the reality of the PRSP process, it is my firm recommendation that the US should use its influence to ensure that debt service payments to the IMF and World Bank be suspended as long as good faith efforts to develop poverty

eradication programs continue. By suspension I mean to include the continued accumulation of interest.

☞ It is, further, my view that the US should use its influence to ensure that the continued denial of full opportunity by African civil society to engage in the PRSP process end. While in East Africa, for instance, civil society structures have been welcomed to various workshops, they have not been invited to the crucial discussions about macroeconomic policy.

☞ Finally, it is my firm recommendation that the US must use its influence in the IMF and World Bank to vote against any and all continuation of user fees, where people living in poverty must pay for primary education and primary health care. Congress has rightly recognized that this has been a tragic aspect of structural adjustment, but the Bush administration request that this provision in law be struck keeps this issue alive. Our nation should not be party to such injustice.

Finally, HIV/AIDS. During my years as a missionary in Kenya, I had a friend, a Kenyan nurse, who established a community center and clinic in Kibera, one of Nairobi's slums. Among other services, she provided women who learned they were HIV-positive with a place to stay. Most had been driven from their homes, rejected by their family and community. My friend could offer some food and shelter and care, nothing more, though of course that was significant in and of itself. It was clear to her then, and clearer now to African governments and civil society, and to the world community, that the combination of education and prevention, and of treatment and care, are all essential elements to confront this pandemic. Political will is present now in a way it was not only a few years ago, and affordable medicines *potentially* are available now in a way they were not only a few months ago. What is needed are funds, large doses, thoughtfully provided, appropriately used. The Abuja Declaration on HIV/AIDS and other infectious diseases signed by African leaders late last month included a target of allocating no less than 15 percent of African national budgets to health, compared to a previous average of about five percent. International efforts need to complement such a commitment. The US has taken an important lead among the industrialized nations in providing funds, but they are insufficient.

Three points are especially relevant to this hearing: First, the US should support a global multilateral effort; second, the structure of the fund needs to be participatory; and third, funds need to be *new* funds, not reallocated from other aid programs.

First, a global fund. The Washington Office on Africa was supportive last year of a World Bank AIDS Trust Fund as a *conduit* for a multilateral effort, not as a program to be administered by the World Bank. It was helpful then to envision a World Bank fund, for it served to flag a global fund as an important aspect of our response to the pandemic. Events seem to have superseded that vision, and President Bush's commitment of \$200 million to a new Global AIDS Trust Fund – as well as other proposals before the world community – indicates that a different structure and home for such a fund is more likely. The record of the World Bank makes

many of us uneasy about its hosting the fund, but it is not, to my mind, as crucial where the fund is housed as it is that there not be competing funds, and that the fund be adequate to the task.

- ☞ *It is my firm recommendation that the US support a Global AIDS Trust Fund, preferably not through the World Bank, but regardless of its housing, that the US provide significant funding consistent with our economic standing among nations, accepting estimates of \$7-10 billion required annually to address the pandemic. \$200 million is not adequate, though as a step toward a goal of at least \$1 billion annually from US sources to confront the global AIDS pandemic – with “more to follow,” as President Bush said – it is useful.*
- ☞ *To be adequate to the task also demands that the US use its influence with international financial institutions to secure grants, not loans, for AIDS programs.*

Depending upon decisions as to the housing of such a fund, details about the nature of the fund may or may not be relevant to this Subcommittee. Given present uncertainties, however, I do want to speak briefly to those details. The structure and processes of such a fund involving international financial institutions need, for example, to be flexible and to mobilize resources quickly, but the fund also needs to engage African civil society, NGOs, and faith-based communities in the entire process and to include women and persons living with AIDS in the entire process. The fund needs to commit to providing treatment as well as prevention, including medicines for both AIDS and opportunistic infections, not excluding any sources that are in accord with intellectual property rights provisions that permit compulsory licensing and parallel imports. There needs to be provision for bulk drug procurement and distribution, coordinated with existing public and private distribution networks. *Sustainable* access to treatment is of critical importance. Donors need to provide unrestricted funds. All of these are touchstones as to whether the US is seeking a meaningful response to AIDS in Africa rather than the appearance that it is responding to AIDS in Africa.

- ☞ *I am convinced that the US must use its good offices to ensure a participatory and transparent process in the administration of such a fund, and to establish a fund that balances education and prevention on the one hand, and widely-accessible treatment and culturally-sensitive care on the other.*

Second, new funds. I acknowledge that this is not the forum for appropriations, but I believe it is important to note that US support for a global AIDS fund must not be at the price of development aid that confronts poverty in Africa, nor of health programs that address infrastructure and other diseases. The \$200 million offered Friday may well be *additional* money for AIDS, but it is not *new* money. Rather it is drawn from peacekeeping, domestic health programs, and other sources. This is unacceptable.

- ☞ *In contributing to a Global AIDS Trust Fund, the US should remain attentive to the interrelatedness of AIDS-specific funding, development aid for Africa and development assistance for global health issues. US funding of a global*

trust fund, therefore, should not be at the expense of other assistance. This is a matter of political will, not insufficient funds.

Debt cancellation needs to be part of the AIDS strategy. There should be no requirement that funds secured from debt relief be directed solely toward AIDS, but there is similarly no doubt that further debt relief through the IMF and World Bank provides a critical opportunity for African governments to join with multilateral efforts in confronting the pandemic.

✎ The US should use its good offices to encourage African leaders to direct funds secured through debt relief toward AIDS programs.

Nearby us, at the FDR Memorial, is an inscription from President Roosevelt's second inaugural address. "The test of our progress," he said, "is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little." I submit to this Subcommittee that those words have global as well as national meaning, and they suggest to me that this Congress and this administration have an opportunity to do something meaningful and just, not as testimony to our power in relation to the World Bank and IMF, but as a sign of our sense of our responsibility within the world community to address human need and to speak for justice. This hearing, and the thoughtful formulating of questions, is a constructive step. I pray that you will continue in these efforts, and I thank you for including me in the hearing.