NEW YORK LAW SCHOOL

NYLS Journal of Human Rights

Volume 17 | Issue 3

Article 16

Summer 2001

FINANCING DEVELOPMENT AND THE DESPERATE NEED FOR DEBT RELIEF

Robin Goldberg

Financing Development and the Desperate Need for Debt Relief

Year after year, as the developed world conquers new ground in technology and fosters its own economic growth, citizens of these countries and their leaders shelter themselves from the troubled developing world. In these countries, people are not only dying of malnutrition, but are likely suffering from the economic hegemony imposed by their international neighbors, the developed nations. For not only do the developed nations provide aid to continents such as Africa, they also seek repayment, often aggressively, of the loans that they have previously issued. For these reasons, the UN's General Assembly will convene an event in 2001 to conceive of a strategy for financing development in the developing world and for relieving the debts of those nations.

Unlike the UN's other, more publicly known assistance programs offering tangible aid, the United Nations prefers not to discuss openly the acute problem of debt relief. The 55th General Assembly of the United Nations, its Millennium Assembly, has sought to change that. In 2001, a high-level intergovernmental meeting will consider international and systemic problems pertinent to financing development for globalization within the context of interdependence.[1] This meeting comes in response to discouraging figures from the World Bank and International Monetary Fund, which indicate that only five countries have received debt relief under the Heavily Indebted Poor Country Initiative undertaken in 1996.[2]

According to the United Nations Development Program ("UNDP"), the numbers demonstrate that those countries seeking the debt relief are among the poorest countries on the planet. These nations spend approximately four times more in debt repayments to northern creditors than they spend on health and educa-

[1] *See* G.A. Resolution 196, U.N. GAOR, 54th Sess, U.N. Doc. A/RES/54/196 (2000).

[2] The HIPC guidelines for receiving debt relief are extremely difficult to meet. That is why, since 1996, only five nations have done so — Uganda, Bolivia, Guyana, Mozambique, and Mali. *See* Soren Ambrose, *Foreign Policy in Focus: Multilateral Debt* (August 1999), *available at* http://www.igc.org/infocus/briefs/vol4/v4n21debt.html.

tion and have the highest rates of malnutrition, disease, infant mortality and illiteracy.[3] Nevertheless, their own domestic investments are often allocated to pave roadways, provide electrical power, and phone connections. However, the debt assistance that should be offered under the Heavily Indebted Poor Country Initiative has requirements limiting the amount of money available for these services, thereby causing a multilateral debt problem. Realizing this impasse, the Secretary-General demanded that the more economically powerful nations cancel the official debts of heavily indebted poor nations. Moreover, developed nations are expected to make a real commitment to decreasing poverty and to provide access to their markets for the developing nations' goods.[4]

The international community, particularly the developing world, urges the UN to convince its Member Nations that financing for development, international debt relief, and UN assistance are all rights, and not simply privileges. This was precisely the General Assembly's position in Resolution 155, passed in February 1999. The resolution calls for the recognition of development as one of the rights emanating from the Universal Declaration of Human Rights and subsequent treaty regimes.[5]

After Resolution 155, UN Secretary-General Kofi Annan issued an even more specific agenda outlining development. First, he called for a reduction of duties and market allocations on exports from developing countries, and procedures to reduce the risk of irregular markets and commodity prices. Moreover, the Secretary-General reaffirmed the goal set by world leaders at last September's Millennium Summit to reduce by half those earning less than $1 a day by the year 2015.[6]

The creation of the Universal Declaration of Human Rights and the Declaration and Program of Action on the Establishment of a New International Economic Order ("NIEO") were steps toward bridging the gap between the international "haves and the

---

[3] *See* United Nations Development Program, *Choices* (March 2000), at p. 144.

[4] *See, e.g.*, Kofi Annan, *We The Peoples: The Role of the United Nations in the 21st Century*, U.N. Doc. A/54/2000 (2000), *available at* http://www.un.org/millennium/sg/report.

[5] *See* G.A. Resolution 155, U.N. GAOR, 53rd Sess., U.N. Doc. A/RES/53/155 (1999).

[6] *See Millennium Report/We the Peoples*, N.Y. TIMES, 4 February 2001, at A12.

have-nots." The NIEO was designed to create a new international economic order regardless of economic and social systems of each individual nation. Both the Declaration of Human Rights and the NIEO were the impetus behind the United Nations Declaration on the Right to Development ("UNRD").[7] The UNRD identifies the right to development as "an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized."[8] In implementing the right to development, the crucial agency of UNDP incorporates human rights with sustainable development. The UNDP works to eliminate poverty and endorses good governance (among other things).

But the recent trend in the General Assembly has been to call upon States and multi-national corporations to join forces and fund critically important development in developing nations. Specifically, the UN has called upon states to refrain from imposing unilateral economic sanctions upon those nations who do not conform to international laws. That is not to say that the UN opposes all sanctions in all forms. However, the UN protests those measures that sanction human rights and development as well as those that utilize "illegal" unilateral coercive measures.[9] Additionally, a proposed plan from the Economic and Financial Committee recommended to the General Assembly that the World Bank and other regional banks work together with the private sector to encourage long-term private financial flows and, specifically, direct investment in developing nations.[10]

Interestingly enough, the World Bank, which has been the brunt of much of the international criticism regarding financing for development, has struck back claiming that developed countries and multilateral organizations need to accept responsibility for the continuous fall in Official Development Assistance (ODA). Fur-

---

7 *See* Declaration on the Right to Development, G.A. Resolution 41/128, annex, U.N. GAOR, Supp. (No.53) at 186, U.N. Doc. A/41/53 (1986).

8 *See* G.A. Resolution 128, U.N. GAOR, 41st Sess., U.N. Doc. A/RES/41/128 (1987).

9 *See* G.A. Resolution 486, U.N. GAOR, 54th Sess., U.N. Doc. A/RES/54/486 (1999).

10 *See Second Committee Takes Up High-Level Intergovernmental Consideration of Financing for Development*, *reprinted in* G.A. Press Release, U.N. Doc. GA/EF/2945 (29 Nov. 2000).

thermore, the developed nations have been accused of continuing to apply protectionist measures, smothering exports to developing nations, and strictly controlling access to technological innovations in developing nations.[11]

The trend continues as such organizations as the Organization for Economic Cooperation and Development (OECD) cater to the needs of the most developed nations. Historically, the OECD has been a selective group of nations chosen for their influence and prominence in the international economic arena — they account for 2/3 of the world's goods and services. The United States, for example, one of the thirty member nations, had a GDP for 2000 totaling US$9926.6 billion, just below that of the European Union.[12] Undoubtedly, the OECD collectively has an overwhelming sway over international economic policies, often short-sighted and with a potentially detrimental effect on developing nations. The voice of large multinational corporations, acting as "lobbyists" within the OECD is often louder than that of those in developing nations requiring the most assistance.

Those refuting development's recognition as a right often point out that the problems inherent in debt relief schemes frequently perpetuate a vicious cycle embroiling those nations already suffering the most. In fact, some poor nations refused assistance from the World Bank and IMF, viewing these organizations as contributing to their debt problem, not its resolution. For instance, Lidy Nacpil, International Coordinator of Jubilee South, suggested that the World Bank and IMF carry their burden by paying their share of reparations for creating the debt for the countries from the South.[13] The UN has been attempting to do this through the Heavily Indebted Poor Countries Initiative ("HIPC"). However, this program, in its original form, remains ineffectual with few countries receiving benefits.

[11] *See Need to Close Gap Between Developed and Developing Countries Stressed as Assembly Concludes Debate on World Social Summit Outcome*, *reprinted in* G.A. Press Release, U.N. Doc. GA/9801 (31 Oct. 2000) [hereinafter "*Need to Close*"].

[12] *See* Main Economic Indicators, *available at* www.oecd.org/statistics. For information on the OECD visit its website at www.oecd.org.

[13] *See Preparatory Committee for the High-Level International Intergovernmental Event on Financing for Development*, U.N. GAOR, 55th Sess., U.N. Doc. A/AC.257/18 (2000).

The issue of debt relief is directly linked with the promotion/demotion of human rights. The theory of debt relief contradicts a country's preservation of human rights since countries like Ethiopia or Tanzania, for example, have such high debt service payments to their lending nations that they cannot even afford to provide drinking water or education for their children. In other words, money that could have been spent to provide greater access to basic human necessities was diverted to debt repayment plans.[14] More staggering statistics from a UNDP report indicate that in 1997, many African nations (those nations participating in HIPC) could have used the money to fund human development that would have saved the lives of 21 million children by the year 2000. Now in early 2001, most of those 21 million children are no longer alive.[15]

By most accounts, the HIPC Initiative in its original form has failed. However, in a new Enhanced HIPC, the G7 agreed to increase the number of eligible countries from twenty-six to thirty-three. Furthermore, the Enhanced HIPC only recognizes the debt as $127 billion when in reality it is $207 billion. The relaxed eligibility requirements have lowered the standard for what is deemed a sustainable debt from 200–250 % in 1996 to 150-250 % in 1999 under the enhanced version.[16] The cuts have increased the eligibility of those nations qualifying under the IMF's ratio standards in order to reach more nations whose debts are detrimentally impacting their human rights conditions. But, even these improvements are not conclusive evidence that the HIPC will help impoverished nations. Because not all nations qualify under the IMF for this program, but still possess the requisite unsustainable debt requirement, estimates indicate that countries benefiting from the 1999 Enhanced HIPC Initiative will look alarmingly comparable to what they looked liked under the original program in 1996.

Despite the initiation of these debt relief programs, the UN remains in a similar predicament. And while some progress has undeniably been made, it is unclear whether debt-ridden nations, as a whole, are better off. It seems apparent that the only real solution

---

14 *See* Eric Friedman, *Debt Relief in 1999: Only one Step on a Long Journey*, 3 YALE HUM. RTS. & DEV. L. J. 191 (2000).

15 *See* UNDP, *Human Development Report 1997*, at 93 (1997).

16 *See generally The Enhanced Initiative for Heavily Indebted Poor Countries — Review of Implementation, available at* http://www.worldbank.org/html/extdr/hipc/hipc090700.htm.

is to make the debts of impoverished nations one hundred percent forgivable. But that cannot be whole solution. Money from developed countries, multinational banks, and the United Nations must reach the individual communities in the poorest nations of our world.

However, much of what has been done thus far has been lip service; little action has been taken. In fact, the World Health Organization has reported that only 10 percent of the $60 billion spent each year on medical research went into new cures for the diseases that afflicted 90 percent of the world's population.[17] This figure is unfathomable for those actually living with such diseases and for the rest of the developed world who demand to know how their taxes are dispersed. Governments shift funds from administration to administration with little actually reaching the people needing it most. Great strides must be made to improve the efficiency of the flow of money to individual citizens in the developing nations. Only then will the world realize the true results of its efforts.

Robin Goldberg

---

[17] *See Need to Close, supra* note 9.