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JAMES A. LEACH
MEMBER OF CONGRESS

10/5/00

Sandy -

Attached is a letter I have
just sent to Gene Sperling. I'd be
appreciative if you could add whatever
input you think is appropriate within
the Executive branch.

Respectfully,
Jim Leach

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(202) 225-7502

October 5, 2000

Mr. Gene Sperling
Director
National Economic Council
Old Executive Office Building
Washington D.C. 205 00

Dear Gene:

To follow up on the meeting that was held in the Cabinet Room on Monday, I would like to give a personal appraisal of the background of debt relief and AIDS issues in Congress and where these issues stand at this time.

Several years ago, when I first heard of the issue of debt relief, I responded with an element of support and an element of skepticism. The moral hazard issues and the naivete of faith-based advocates were apparent. But in thinking the issue through, I came to the conclusion that this was an issue where the supposedly naïve have a better grasp of realpolitik than the alleged pragmatists and that of all issues debt relief and AIDS prevention merited full rather than half-hearted support.

When I put together my original bill on debt relief, I sent it to the Executive Branch for comment. The response from all quarters was that the bill was in the right direction but had gone too far to be politically palatable.

Despite lack of Executive Branch enthusiasm I introduced the bill to provide the Administration with Republican cover in Congress and a comfort level that it could take a more forthcoming position in international negotiations. With each passing month last year the Executive Branch became more supportive but seemed to remain skeptical it could take on the Congress or conservative elements in the public on the issue.

In any regard, I was confident I could steer a bill through the authorizing committee but understood that garnering sufficient appropriations support was a more difficult but not insurmountable challenge. Given the nature of year-end budgeting, it is self-evident that the Administration can get anything it designates as its top one or two priorities. Debt relief last year ended up falling in a category of worth advocating by the Administration but not to the point of falling on a sword over. The result was that Treasury worked with the Senate and with the appropriators and achieved support for partial funding, half rather than a full loaf, and that half was largely for bilateral rather than multilateral debt relief, even though the latter had the substantial advantage of leveraging resources from other countries. The Treasury also agreed to a complicated 9/14th's principle on IMF gold sales, which meant that the need for additional authorization would ensure that antagonistic elements in the Senate could continue to toy with U.S. international economic policy in a potentially objectionable way.

At this point, my strongest advice to the Executive Branch is to give precise legislative language to the Appropriators and declare that meeting this budget request is a bottom line priority for concluding the budget negotiations and allowing Members of Congress to get out of town.

In many respects, HIPC debt relief and funding for HIV/AIDS prevention and care are intertwined. By any historical measure HIV/AIDS is the greatest public health challenge as well as one of the gravest development challenges of modern times. As is well known, the disease has also had a disproportionately severe impact on many of these same heavily indebted poor countries in sub-Saharan Africa. And as has been the case with debt relief, a comprehensive and effective global effort to combat HIV/AIDS must by definition be multilateral. Yet until Congress authorized the creation of the World Bank AIDS Trust Fund, a bill I designed to leverage grant contributions from the private sector as well as other governments, the only multilateral mechanism for helping to combat the scourge of HIV/AIDS has been to provide yet more loans to the governments of these same highly indebted poor countries – an approach that may not be consistent with sound debt management policy and may also not be politically acceptable or sustainable.

Therefore, I would urge the Administration to also insist on full funding of the World Bank AIDS Trust Fund authorized in P.L. 106-264 which the President signed into law in August. Unfortunately the last report heard from the White House on this issue indicated that the Executive Branch was willing to settle for less than half of the authorized amount of \$150 million for FY 2001. OMB and the Appropriators apparently argue that the World Bank Trust Fund will not be able to spend the money in the next fiscal year. While I am doubtful that it will take a great deal of time to get the trust fund up and running, I would point out that it will be difficult to get other donors to participate without a credible U.S. commitment in the first year.

Accordingly, at the risk of presumption, I would suggest that the Administration's formal budget language for the World Bank AIDS trust fund should include authority for the funds to be carried over to the following year, should this spending rate become a problem, which

I don't believe it will. But, here again, the Executive Branch should give the Appropriators the exact language it insists upon, not simply advocate in theory for the program.

Finally, several quick observations are in order:

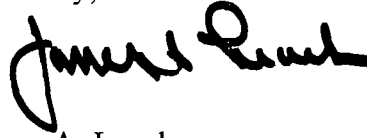
- Fully funding debt relief and both bilateral and multilateral commitments to arrest the spread of HIV/AIDS are the most compassionate set of initiatives the United States has ever extended to the developing world.
- One of the reasons to put emphasis on this issue is to attempt to resolve outstanding issues so the budget can be finalized, with the Administration putting its stamp on international leadership initiatives.
- The challenge is to deal with debt relief and HIV/AIDS mitigation in the context of the regular budget process but in a sense also outside it. Arguably the funding levels for debt relief could be considered as one time only and should be considered without placing constraints on HIV/AIDS funding or other international affairs functions. The problem is that as the Executive Branch deals with the Appropriators, issues become subject to salami tactics. The Administration should have the resolve to insist on full funding for debt relief and HIV/AIDS initiatives. When Harry Truman developed the Marshall Plan, he didn't say, "I'd be satisfied if Congress half-funded it."
- Republicans like Senator Gramm and Representative Armey want to trade passage of debt relief for IMF reform. The case for reform, particularly because of the IMF's Russian policy, is real but Congress has enacted far more reform than critics understand. The key is that any new language be workable rather than internationally counterproductive. If I were the Executive Branch, I would simply insist that you can accept no phraseology that Secretary Summers doesn't personally approve. Here, you should also recognize that the conservative Meltzer Report, whose critique was 80 percent valid and prescriptions somewhat less so, advocated more IFI concern for AIDS and greater emphasis on grants. The initiative to create a World Bank AIDS Trust Fund is consistent with reform approaches as well as compassion. It also represents the best approach I know of to counter the anti-globalist critics of the IFIs.
- Finally, I know of no other issues that put the Administration on a higher moral policy ground as this Presidency comes to an end.

It is true in politics that foreign aid is always controversial and there will be political shots across the bow as reflected in the statement issued by a member of the House Republican Leadership this week. Yet, most of the criticism is going to a President who is not up for re-election. And, to the degree that opposition develops, it would be from those who would be hard pressed to support a democratic Presidential candidate under any circumstance. In short, I believe the Administration has been too concerned for too long with the political downsides to these developing country initiatives. You have the cover of a number of Republicans ranging from me to John Kasich, Spencer Bachus, and Senators Connie Mack

and Orrin Hatch. And on the religious side, you have the obvious cover of established churches as well as Pat Robertson.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "James A. Leach". The signature is fluid and cursive, with a large initial "J" and a stylized "L".

James A. Leach
Chairman

cc: The Honorable Lawrence Summers
Secretary of the Treasury

The Honorable Jacob J. Lew
Director, Office of Management and Budget

The Honorable Harriet C. Babbitt
Deputy Administrator Agency for International Development

The Honorable Sandra L. Thurman
Presidential Envoy for AIDS Cooperation

JL:jwm



Paul Hartenberger <phartenberger@usaid.gov>
07/22/99 03:21:51 PM

i - debt relief

Please respond to phartenberger@usaid.gov

Record Type: Record

To: Cheryl S. Bauerle/OPD/EOP

cc:

Subject: re: ... no subject ...

Cheryl:

~~Thanks for responding today so quickly to my request for 2 copies of Sandy's HIV/AIDS Presidential Mission report. We'd like 25 copies- they can be spread out if necessary. We'd like at least 5 copies by COB Tuesday, July 27th if possible (I can come and pick them up) so our Common Agenda Coordinator, Dr. Tim Meinke, can take them for his MOFA/JICA visit to Tokyo from Aug. 2-6th. He leaves July 28th for Tokyo.~~

As for the other points for Sandy and Mike:

1) Paul Zeitz called me today and will be leaving Oregon with family o July 28th for Zambia via Israel. He's due back in Zambia on Aug. 10th. He will stay in Zambia only until Dec. 1st and then his job situation is unclear. Clearly though, he wants to stay engaged with HIV/AIDS in Zambia/Africa and the debt swap (if still possible).

2) As discussed Congressman Elijah Cummings/D/MD/Baltimore is a friend of Zambia (he visited when I was still USAID PH Director in Zambia) and said it changed his whole outlook. He was impressed and impressive to Zambians. He made friends with then Health Minister (now Finance Minister, Dr. Katele Kalumba). Rep. Cummings is especially interested in basic education because of his own persnal struggle to get educated and succeed, but he wuld be a strong supporter of HIV/AIDS programming in Africa. Great guy!

3) I received a personal email today fro Dr. Katele Kalumba- which I will forward to you for Sandy. But, please keep it personal FYI. Clearly he's pushing the sale of ZCCM, debt forgiveness/swaps and HIV/AIDS. As healt Minister, he alone took a strong public stance when no other GRZMinister (or even President Chiluba) did. He's a key person.

Hope all went well today at Sandy's Congressional hearing on HIV/AIDS.



Paul Hartenberger <phartenberger@usaid.gov>
07/22/99 03:40:16 PM

Please respond to phartenberger@usaid.gov

Record Type: Record

To: Cheryl S. Bauerle/OPD/EOP

cc:

Subject: fwd: Re: Mr. "Jack of all Ministers"

Cheryl:

This is the email from Dr. Katele Kalumba that I wrote of in the other email.

----- Original Text -----

From: "Dr. Katele Kalumba" <kkalumba@zamnet.zm>, on 07/21/1999 11:02 PM:

Dear Paul

Thank you for the email. I am humbled by the new challenge. I believe however that it is do-able. I believe I met Sandy Thurman during my last visit of Washington as Minister of Health when I was lobbying for Sector Wide Approach. I definitely look forward to working with you and your Zambian AID team to do all we can to qualify. I need a lot of good workable ideas and a lot more networking. On ZCCM, the ball is now in the Buyers court. Negotiations are going on in London right now. It is like a moving target. I am still optimistic that the Buyers can put up their act together. Zambia is ready to sell. The machismo period is over.

Warmest regards to you and your dear wife.

Katele

At 14:12 29/06/1999 -0400, phartenberger@usaid.gov wrote:

>Dear Katele:

>

>Congratulations!

>

>Now you will have been in most every key Ministerial job- what's next????

>

>Only one BIG favor!

>

>Don't forget the social sector and if we can help you push Zambian "debt

>relief" for social sector programs, please let me know.

>

>Zambia is the only country (as far as I know) that even has a concrete

>proposal for doing so and if we once get through the US Govt bureaucratic

>hassles, etc., I hope that Sandy Thurman (Director of the White House

>Office of National AIDS Policy)- who twice visited Zambia as you know and

>met with President Chiluba and will return in Sept. for ICASA- can pull off

>a big Clinton African Presidential "debt for development" AIDS initiative.

>She's certainly trying very hard to bring it to fruition. If she goes to

>ICASA, you have to met with her- please??

>

>Zambia should/could benefit bigtime. Plus, under the Common Agenda,

>Zambia's biggest bilateral creditor (Gov't of Japan) and USAID are trying

>(as you know) to coordinate our programming (especially in the social

>sectors- health and education) and they seem to be on the same wave length

>(maybe ahead of the US Gov't) about debt relief. And it fits nicely into

>their aid program emphasis on Africa (the TICAD summits).

>

>The iron is getting hotter, now is the time to strike. And hopefully

>conclude the sale of ZCCM (?), so it doesn't become a "donor impediment" to

>all-out support for Zambia.

>

>Also know how much you've done to broker the DROC/Kabila issues- hope it

>comes to fruition- though I know it's a daily up and down.

>

>I couldn't be more excited and happy for you- hope you and Lumba feel the

>same way!!

>

>Please give my regards to Lumba (and new son) and Chiwele, your American

>son!! He needs to give me the name of another SAT vocabulary book so I

>can help him.

>

>

>

>

>

>

>

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B)5

1. Debt relief

Debt-for-AIDS Country Profiles

(Update as of 26 April 2000)

Malawi

A. Declaring a AIDS a Security Crisis

- Vice-President's Office Issued Statement Declaring Security Challenge
- Strong political commitment
- Need push for National political mobilization strategy being considered

B. Mainstreaming AIDS into Development Instruments

- Country developing Interim Poverty Reduction Strategy Paper (PRSP); HIV/AIDS will be featured as a priority
- Vice-President's Office is advocating for part of the budgetary savings from debt relief to be used for HIV/AIDS and orphans response; this needs to be pushed
- HIV/AIDS, including orphans, is not currently monitored as part of the Medium Term Expenditure Framework

C. Strategic Planning

- Highly developed National Strategic Framework; costing of plan initiated; not linked to outcome indicators
- Key sectoral strategic framework under development: education, agriculture
- Need Push for Orphans Response Strategic Plan

D. Resource Transfer Mechanism (RTM)

- Need push for development of RTM that can get resources to decentralized HIV/AIDS programs, including NGOs
- The World Bank is considering modifying the Malawi Social Action Fund

E. Institutional and Technologic Response

- National HIV/AIDS Secretariat is positioned under the Ministry of Health

Mozambique

A. Declaring a AIDS a Security Crisis

- HIV/AIDS has not been declared a security crisis

B. Mainstreaming AIDS into Development Instruments

- Interim Poverty Reduction Strategy Paper under development
- MZ considering using up to \$5 million of the budgetary savings from debt relief for HIV/AIDS

C. Strategic Planning

- National Strategic Framework under development
- Needs push for costing and outcome indicators
- Needs push for Orphans Response Strategic Plan

D. Resource Transfer Mechanism

- Budgetary savings from debt relief will pass through government Ministries
- MZ needs to ensure that NGOs can scale-up their HIV/AIDS response

E. Institutional and Technologic Response

- No national coordinating unit exists

Tanzania**A. Declaring a AIDS a Security Crisis**

- Increasing political will from the Office of the President

B. Mainstreaming AIDS into Development Instruments

- HIV/AIDS linked to poverty in Interim Poverty Reduction Strategy Paper
- recently approved HIPC commits government to short-term target to raise AIDS awareness in 75% of districts; needs push for outcome indicators

C. Strategic Planning

- National Strategic Framework under development
- Need push for Orphans Response Strategic Plan

D. Resource Transfer Mechanism

- The Tanzania Social Action Fund (TASAF) has been modified to include HIV/AIDS
- Major challenge remains to get resources to decentralized implementers

Uganda**A. Declaring a AIDS a Security Crisis**

- President Museveni declared HIV/AIDS a security crisis during March 2000 Consultative Group Meeting
- Need push for national political mobilization strategy to combat HIV/AIDS

B. Mainstreaming AIDS into Development Instruments

- HIV/AIDS will feature as a goal level priority in the Poverty Eradication Action Plan
- Under the Enhanced HIPC, HIV/AIDS—including Orphans Response will be a recipient of the budgetary savings from debt relief
- HIV/AIDS public expenditures not measured as part of the Medium Term Expenditure Framework

C. Strategic Planning

- National Strategic Framework completed and costed
- Need push for sectoral frameworks (education, agriculture, health)
- Need push for Orphans Response Strategic Plan

D. Resource Transfer Mechanism

- The Uganda Poverty Action Fund has been modified to include conditional grants for HIV/AIDS, including orphans response
- Needs push to ensure that these public resources can go to NGOs

E. Institutional and Technologic Response

- Uganda AIDS Commission is being revitalized and will stay linked to the Office of the Presidency

STOPPED

Poverty, Debt, and AIDS – Mainstreaming the Epidemic and Mobilizing Additional Resources for the Response

The HIV/AIDS Crisis – A Threat to Development in Africa

The HIV/AIDS pandemic is the worst infectious disease crisis since the bubonic plague halved the population of Europe in the five years after its arrival there in 1347. More than 33 million persons are currently infected with HIV, and 16 million have already died of AIDS. More than two-thirds of the infected persons live in Sub-Saharan Africa. In some countries of Southern Africa, nearly 30 percent of the adult population is living with HIV.

Recognizing the magnitude of this crisis, African leaders, UN Agencies, and many other governments and international organizations have declared HIV/AIDS to be the single most critical security issue facing Africa today. At the unprecedented January 2000 Security Council Meeting, the UN Secretary-General Kofi Annan stated, “By overwhelming the continent’s health and social services, by creating millions of orphans, and by decimating health workers and teachers, AIDS is causing social and economic crises which in turn threaten political stability.”

In this environment, the development, financing, and implementation of programs to slow the spread of the epidemic and reduce its impact are now among the highest priorities of African governments, NGOs, bilateral donors, and the United Nations and multilateral development organizations. While a growing number of clinical and behavioral interventions are proving that they can reduce the transmission of HIV and improve care and support for those who are infected, the availability of resources to implement these interventions lags far behind the needs of the hardest-hit countries. Several billion dollars are needed annually to finance intensified action against AIDS in Africa, but only a few hundred millions are currently being devoted to this effort. The HIV/AIDS crisis has led some bilateral donor to increase their traditional foreign assistance for this purpose, but many more financial resources will need to be tapped from other non-conventional sources including foundations, private sector donations, and savings from debt relief (see below).

The Link between HIV/AIDS and Poverty

There is a growing recognition among policymakers and development experts of the two-way connection between HIV/AIDS and poverty. Simply put, AIDS deepens the poverty of households and nations, and poverty favors the spread of HIV/AIDS.

A summary of the catastrophic effects of HIV/AIDS in Africa at the societal level, on macroeconomic and sectoral performance, and on community and household welfare, as well as the economic and financial cost of inaction are described below:

Macroeconomic Impact of HIV/AIDS: There is growing evidence that as HIV prevalence rates rise, both total national income and incomes per capita fall significantly. African countries with adult prevalence of less than 5% will experience only a modest impact on GDP growth rate, but as prevalence rises to 20% or more (as it has in a number of countries in Southern Africa), GDP growth will decline by 2% a year. Over a decade, this translates into a cumulative reduction in a country's national output of more than 21%.

Sectoral Impact: All the major sectors of the economy are beginning to feel the negative effects of the HIV epidemic in Africa. For example:

- Severely affected countries are showing that more than half of hospital beds are filled with AIDS patients.
- Labor intensive businesses will be severely affected by HIV/AIDS, with some companies' profits already reduced by a fifth because of higher absenteeism, health care costs, death benefits, and retraining;
- Farm production has been shown to decrease by 40-60% in households experiencing an AIDS illness or death.

Poverty Impact: There is strong evidence today that HIV/AIDS is contributing to worsening poverty at household level in many countries. Poor families tend to bear the greatest burden from HIV. Surveys have shown that AIDS-affected households experience dramatic declines in income of up to two-thirds. At the same time, their spending on medical care for sick family members can increase exponentially. This causes them to reduce their outlays on food, leading to malnutrition, and to cut back on paying for school fees and uniforms for their children, thus resulting in dropouts and lower levels of education.

Economic Impact of Inaction: The costs of delayed action by African countries confronted by HIV are high. The estimated spending needed to implement prevention, care, and mitigation activities increases exponentially at higher levels of HIV prevalence. When adult prevalence is less than 5%, such comprehensive programs cost less than US\$3 per capita to implement, but when prevalence exceeds 15%, HIV/AIDS program costs rise to US\$10-12 per capita. At this point, the costs of scaling up can become prohibitive for many countries in the region, where less than \$10 per person is spent annually on all types of health care.

Poverty and Debt as Financial Brakes on a Response to AIDS

Over the last fifteen years, Sub-Saharan Africa has made less economic progress than any other region of the world. Africa's overall per capita growth rate from 1985-96 was estimated to be *minus* 0.6 percent per year. Over the past three years, a group of ten

African countries has started to show some encouraging growth, but many others are still experiencing falling GDP per capita. Three quarters of the continent's population survives on less than \$2 per day.

Partly as a result of their poor economic performance, few countries in the region can mount an effective national response to HIV/AIDS, nor can their citizens pay for treatment once infected. As indicated in Table 1, annual spending on HIV/AIDS in even the highly-affected African countries amounts to less than \$1 per person annually. This does not cover even the relatively modest amounts needed for basic HIV/AIDS prevention education and outreach, let alone to the more significant investments required to provide care and treatment to those already infected. Total reported spending on HIV/AIDS in Africa in 1996 was around \$165 million a year – of which African governments contributed just \$15 million -- against an estimated \$1-2 billion a year needed to support intensified national programs, without taking into account the cost of medical treatment or orphan care.

Table 1: HIV/AIDS Response in Selected Sub-Saharan Africa Countries

Country	Adult HIV Prevalence 1998	Per Capita Funding for HIV/AIDS as of 1996
Botswana	25.1%	\$1.79
Ghana	4.6%	\$0.12
Kenya	11.6%	\$0.76
Malawi	14.9%	\$0.63
Mozambique	14.2%	\$0.16
Namibia	24.2%	\$0.74
Nigeria	4.1%	\$0.03
Tanzania	9.4%	\$0.07
Uganda	9.5%	\$1.81
Zambia	19.1 %	\$0.73
Zimbabwe	25.8%	\$1.20

Sources: UNAIDS (1998); UNAIDS (1999)

A key factor in perpetuating low growth and poverty in Africa, and one that makes it more difficult for African governments to invest in HIV/AIDS program, is the region's external debt burden. African countries currently carry a combined external debt of \$227 billion. Service payments (principal and interest effectively paid) amounts to \$14.5 billion per year, equal to 5 percent of the region's GDP and 15 percent of export earnings. Sub-Saharan African countries are required to allocate scarce foreign exchange and government revenues to debt servicing, hampering their ability to direct these resources to stronger national AIDS programs and other social sector activities.

Under these circumstances, debt relief for the poorest countries has moved to the top of the international development finance agenda during the second half of the 1990s. From

grass-roots movements like Jubilee 2000 to the U.S. Department of Treasury, there has been wide-ranging and active support for reducing the debt owed by poor countries to private banks, Western governments, and multilateral institutions such as the African Development Bank, World Bank, and International Monetary Fund.

In June 1999, the G7 countries launched the Koln Initiative, which calls for “deeper, broader, faster” debt relief under the IMF/World Bank-led Heavily Indebted Poor Country initiative (HIPC). At the annual meetings of the World Bank and IMF in September 1999, new commitments were made to accelerate debt relief in poor countries, based on poverty reduction strategies that are owned and prepared by the countries.

Debt Relief as a Source of Increased Funding for AIDS

The call for debt relief has been accompanied by a widespread view that poor country governments in Africa and elsewhere should allocate part or all of the savings from canceling debts to actions that improve the welfare of their poorest citizens. Given the devastating impact that HIV is having on these countries, worsening poverty and halting economic progress, we believe that a substantial part of the budgetary savings or “dividend” from debt relief should go to cost-effective actions to combat AIDS.

As shown in Table 2, the amounts currently used for debt servicing in most African countries, which could potentially be used for other purposes in a debt relief scenario, far exceeds what countries are currently spending on HIV/AIDS from all sources, domestic and external. If just a modest fraction these countries’ debts to multilateral and bilateral were canceled, the resulting savings could be used to multiply the current levels of spending on AIDS prevention, care, and mitigation. In Malawi, using a quarter of the debt relief savings for AIDS would double national spending on the epidemic. In Zambia, where the debt burden is especially high, shifting just a fifth of the debt savings to AIDS would lead to a fivefold increase in funding for the national response.

Table 2: Potential of Debt Relief to Generate Resources for HIV/AIDS Response

Country	Potential total debt relief dividend on bilateral/multilateral debt (U.S. \$/capita)	Current national spending on HIV/AIDS (U.S. \$/capita)
Ghana	\$15.98	\$0.12
Kenya	\$12.92	\$0.76
Malawi	\$4.46	\$0.63
Mozam.	\$2.79	\$0.16
Nigeria	\$6.46	\$0.03
Tanzania	\$0.70	\$0.07
Uganda	\$5.00	\$1.81
Zambia	\$16.18	\$0.73

Sources: Sachs et al. (1999); UNAIDS (1999)

Actions to Link HIV/AIDS with Poverty Reduction and Debt Relief

In this rapidly changing environment, what actions can be taken by African governments and their national and international partners in the fight against HIV/AIDS, in order to “mainstream” the epidemic in the overall development agenda, and at the same time generate more desperately needed financial resources for national AIDS programs?

We see at least five key things that all countries must do:

First, African countries are actively developing Poverty Reduction Strategy Papers (PRSP) as the new framework documents for debt relief and for many other externally-funded poverty projects. **It is crucial that these papers reflect the centrality of HIV/AIDS in deepening poverty, and that they contain specific commitments to medium-term outcome goals and short-term performance targets in the fight against AIDS.** Such an outcome goal might be for example reducing HIV prevalence in young women by a third, from X% to Y%, over five years, while short-run targets for governments and external partners to monitor could include for example achieving a certain level of spending on a well-defined national AIDS program. A list of possible outcome and process indicators for countries to consider is currently being developed.

Second, African countries must complete their AIDS national strategic plans, and use these more aggressively as the key statement of their goals, performance targets, and proposed activities in a multisectoral fight against the epidemic. HIV/AIDS will only be credible as a central issue in African countries’ national poverty strategies if there is a coherent and achievable national AIDS plan endorsed by civil society, the private sector, and the international community. Such AIDS plans must contain detailed proposals for actions by all the main government agencies implicated in the fight against AIDS (education, youth, health, agriculture, transport, and the military), plus non-governmental groups in the country.

Third, the AIDS national strategic plans must be fully integrated in African countries’ medium-term public expenditure frameworks (MTEPs), and in the annual budgets of the various national ministries and local government units. At present, most national AIDS plans stand apart from the government budget systems, or are difficult to locate in the budget framework. Since national poverty strategies and debt relief deals will be tightly linked to agreed public spending plans, it is vital for the national AIDS response to be visibly inserted into the public spending framework.

Fourth, debt relief operations, especially under the HIPC initiative, should contain major commitments to the HIV/AIDS performance targets contained in the Poverty Reduction Strategy Papers, as well as explicit commitments to spend a substantial share of the debt relief savings on the national AIDS program. Additional funds are badly needed for everything from school-based AIDS education, to condoms for those at risk of HIV infection, to home-based care and support for AIDS orphans. Since the

monies from debt relief will be counted as the government's own financial contribution, using debt relief for AIDS will also be a strong expression of African leaders' political will to fight against AIDS.

Fifth, a much wider range of development financing instruments need to be tapped to direct funds to national AIDS programs, beyond debt relief alone. In many African countries, social development funds and poverty action funds are being established to channel resources to areas spelled out in the Poverty Reduction Strategy Papers. The poverty action funds are multi-sectoral and focus on those ministries which are most critical in the struggle against AIDS, such as education, rural development, social welfare, and health. As such, they represent an excellent vehicle for mobilizing more funding for AIDS. In a similar way, social development funds are being designed to move financial resources rapidly and efficiently to local government units, NGOs, and community groups – key allies in an effective national response to HIV/AIDS. There is a major opportunity in many African countries to develop multi-million dollar AIDS “portfolios” consisting of literally thousands of small grants to districts and communities to launch youth AIDS clubs, home-based care schemes, women's AIDS awareness and prevention groups, orphan care programs, etc. .

Some Early Signs of Progress

UNAIDS is working closely with its partners in a number of countries to ensure that HIV/AIDS figures prominently in the new Poverty Reduction Strategy Papers and in the related financing instruments, including debt relief under HIPC. While enormous efforts will be required to achieve widespread results in this area, there are already some encouraging early signs of progress in several countries:

- In Uganda, the government has declared HIV/AIDS to be a matter of “national security” and has identified AIDS as a “suprasectoral” priority in the its poverty strategy. Resources in the Uganda Poverty Action Fund, through which about \$150 million dollars of debt relief savings and donor contribution are being channeled annually, will be earmarked for the country's HIV/AIDS program.
- In Tanzania, the “interim” PRSP highlights HIV/AIDS as a factor in the country's poverty, and the recently approved HIPC commits to a short-term target to raise AIDS awareness in more than three-quarters of Tanzania's districts. The Tanzania Social Action Fund is to be used to channel monies to local groups for HIV/AIDS activities
- In Zambia, the current draft debt relief document contains important HIV/AIDS goals and progress indicators, and a civil society coalition has proposed the creation of a special fund for AIDS that will receive debt relief savings.
- In Mozambique, the government is considering allocating a substantial amount of debt relief savings – up to \$5 million a year – to support the country's national AIDS plan.

In the coming months, we anticipate that many more African countries pursue these emerging opportunities to put HIV/AIDS on the mainstream development agenda, and to draw on debt relief as a new source of funding for intensified national responses to the epidemic. We believe that debt relief alone can realistically generate an additional \$200-400 million a year for AIDS programs in Africa over the next three years. UNAIDS and its cosponsors, in collaboration with other national and international partners including interested bilateral donors and NGOs, will be expanding their capacity to assist in this important work.



Buyers Up • Congress Watch • Critical Mass • Global Trade Watch • Health Research Group • Litigation Group
Joan Claybrook, President

June 25, 1999

Ms. Sandra Thurman
Director
White House Office of National AIDS Policy
736 Jackson Place, NW
Washington, DC 20503

Dear Ms. Thurman:

It was a pleasure finally meeting you after all these years. As you suggested, enclosed is a copy of my article on the debt relief and the spread of HIV. Please feel free to contact me if you wish to discuss this further.

Yours sincerely,

Peter Lurie, MD, MPH
Medical Researcher

Ralph Nader, Founder

1600 20th Street NW • Washington, DC 20009-1001 • (202) 588-1000

Socioeconomic obstacles to HIV prevention and treatment in developing countries: the roles of the International Monetary Fund and the World Bank

Peter Lurie*, Percy Hintzen[†] and Robert A. Lowe*[‡]

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Keywords: Africa, Asia, AIDS policy, HIV/AIDS, economic policy, World Bank, International Monetary Fund, structural adjustment, migration

Introduction

By the year 2000, 90% of all HIV infections will have occurred in developing countries [1]. Worldwide efforts to stem the HIV epidemic have to date emphasized inducing behavior change in individuals at high risk for HIV infection. In this review we argue that social and economic forces have also played a critical role in promoting the spread of HIV, and that these have been largely overlooked in favor of factors that operate at the individual level. The failure to consider all aspects of HIV transmission may be inhibiting our ability to reduce the spread of HIV infection. (Although our discussion focuses on socioeconomic conditions in developing countries, many of the same forces operate in the industrialized world.)

The epidemiology of HIV in developing countries reflects these powerful social and economic factors. HIV seroprevalence is generally highest in urban centers [2], along trade routes [3], among commercial sex workers (CSW) [4], and among male migrant workers [5]. These observations can best be understood by considering how social and economic forces predispose to certain risk behaviors, later manifested as HIV infection, rather than as some intrinsic property of the virus. In addition, recent evidence from Canada suggests that low socioeconomic status is an independent predictor of increased mortality from HIV disease, even after controlling for potential confounders such as age, disease stage, and access to health care [6].

To understand these socioeconomic forces, one must consider two related economic concepts: macroeconomic measures and structural adjustment. Macroeconomic measures typically evaluate national economic performance using aggregate indicators such as per capita gross national product (GNP), employment rate in the formal economy, and inflation rate. Modern attempts to improve macroeconomic indices in developing countries fall under the rubric of structural adjustment, a complex of policies that aim to stimulate growth in the private sector and to bolster the export sector in countries suffering balance of payment deficits. In this review we argue that this approach, which took hold in the early 1980s and is spearheaded by the International Monetary Fund (IMF) and the World Bank, may have created conditions favoring the spread of HIV infection.

We are well aware of the hazards of describing the sorts of relationships described in this review as causal. Of necessity, this analysis depends in substantial part on ecological data, which by their nature require caution in interpretation. The legacies of colonialism, corruption, inefficiencies in production, global recession, and numerous other factors have no doubt also played a role in these phenomena. We do not, therefore, seek to posit structural adjustment programs as the sole cause of the relationships described here; in some cases they may have only exacerbated pre-existing circumstances or simply failed to reverse adverse trends. Rather, we seek to extend the debate over the determinants of HIV infection in developing countries to include economic policies.

From the *Center for AIDS Prevention Studies, University of California, San Francisco, the [†]Department of African-American Studies, University of California, Berkeley, California and the [‡]Department of Emergency Medicine and the Center for Clinical Epidemiology and Biostatistics, University of Pennsylvania, Philadelphia, Pennsylvania, USA.

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Requests for reprints to: Peter Lurie, MD, MPH, Center for AIDS Prevention Studies, University of California, San Francisco, 74 New Montgomery, Suite 600, San Francisco, CA 94105, USA.

The historical origins of structural adjustment programs

Between 1950 and 1973, growth in the economies of industrialized nations increased demand for the exports of developing countries, leading to a considerable expansion in exports from these countries [7]. Thus, many developing countries did not have substantial foreign exchange deficits and some even enjoyed foreign exchange surpluses [8]. The exports of many developing countries had guaranteed access to industrialized country markets, often at negotiated prices, and for predetermined quantities of goods [9]. Job opportunities for the growing middle class in developing countries expanded in both the public and private sectors. Benefiting from such prosperity, developing countries emulated the social policies of Western Europe, providing government support for health, education, and welfare programs.

This relatively favorable economic environment suffered a devastating blow in the early 1970s. The Organization of Petroleum-Exporting Countries oil embargo of 1973 quadrupled oil prices, producing a doubling of commodity prices in industrialized countries and a 43% increase in the cost of exports [10]. The resulting recession in the industrialized world led to significant decreases in demand for developing country products, and consequently to reductions in the prices and volumes of goods produced in these countries. Because of the inflationary conditions that accompanied the post-1973 recession, many developing countries found themselves with an excess of imports in the face of lagging exports, producing mounting debt [11].

Initially, most developing countries responded to this loss of income by obtaining foreign credit to pay for vital services and the importing of such essential items as food, medicines, fuels, and raw materials. Because prevailing interest rates in the industrialized economies (particularly the United States) determine the interest rates on outstanding debts paid by developing countries, when inflation due to a second oil shock in 1979 drove interest rates upward (as high as 16% in the United States in 1981), developing country borrowing could no longer be sustained [12]. Debtor countries borrowing at flexible rates or seeking to refinance loans found themselves with enormous, unpredictable interest payments. An international recession in 1980 and 1981 further decreased demand for developing country export commodities [12].

In 1982, private industrialized country lenders decided that further loans to developing countries were too risky and severely limited credit to many developing countries [13,14]. Rocked by economic crisis, developing countries were forced to turn to the IMF for loans to cover their foreign debts. This assistance came at the price of agreeing to 'stabilization programs', an early form of structural adjustment. Under these programs, developing countries were forced to enter into agreements to meet specified macroeconomic targets — first with the IMF and later with the World Bank [15]. One critical

element of both IMF and World Bank loans is that, unlike loans from private banks, these agencies cannot reschedule debt (i.e., allow a country more time to pay the principal and interest on its debt).

While IMF loans usually emphasize short-term stabilization, aiming to reduce inflation as well as budget and trade deficits, World Bank adjustment programs seek to remove economic distortions over the long term [16]. Because the IMF offers both stabilization and adjustment programs, and because entering into an agreement with either the IMF or the World Bank is often a condition for lending from the other institution [16], we discuss both programs together under the term structural adjustment programs (SAP).

During the 1980s, the IMF, the World Bank, bilateral aid agencies, and private international banks increasingly cooperated to set similar preconditions for all forms of international credit. Developing countries, especially poorer ones, were often forced to enter into SAP in order to obtain IMF or World Bank loans and sometimes even as a precondition for borrowing on private financial markets [17]. Indeed, the incorporation of policies associated with SAP has become a leading criterion for assessing developing country credit-worthiness. Consequently, many developing countries were compelled to institute their own 'home-grown' economic recovery programs that included the structural adjustment elements advocated by the IMF and the World Bank [18], amplifying these institutions' impact on the developing world economy and blurring distinctions between SAP and non-SAP countries.

In summary, worsening developing country debtor status over the last two decades created economic conditions that permitted industrialized countries to impose SAP. While some policy elements of SAP existed prior to the debt crisis, SAP for the first time consolidated and coordinated these macroeconomic policies, and then applied them in a manner that gave developing countries little choice other than to drastically restructure their economies along the lines mandated by the programs.

The characteristics of SAP

SAP typically include eight components: (1) concessions to foreign investors, including tax incentives and tariff elimination; (2) economic and trade liberalization, often exposing developing country producers to competition from imported goods; (3) stimulation of economic activity directed toward export rather than toward domestic demand; (4) currency devaluation leading to higher prices for imported goods; (5) curbs on consumption in developing countries by making loans more expensive and less available; (6) increases in the prices of goods and services to bring them in line with world market prices; (7) personal income and consumption tax increases; and (8) reductions in government spending, including cut-

backs in health and social services. In summary, these measures seek to stimulate the growth of the private and export sectors in developing countries [19], thus making their economies more competitive on the international market. From the industrialized country perspective, they enhance the security of loans, benefiting international lenders and others involved in trade with developing countries.

The expansion of SAP has been rapid. Whereas in 1980 only three sub-Saharan African countries were involved in World Bank SAP, in 1989 this had increased to 20 countries (Fig. 1). Thirty-two of 44 sub-Saharan African countries entered into a World Bank SAP at some time between 1980 and 1990 [20]. Worldwide, a total of 89 developing countries received 241 World Bank structural adjustment loans and 325 IMF stabilization or structural adjustment loans between 1980 and 1991 [21]. At present, approximately one-quarter (about US\$ 5 billion) of annual World Bank lending is in the form of SAP [20].

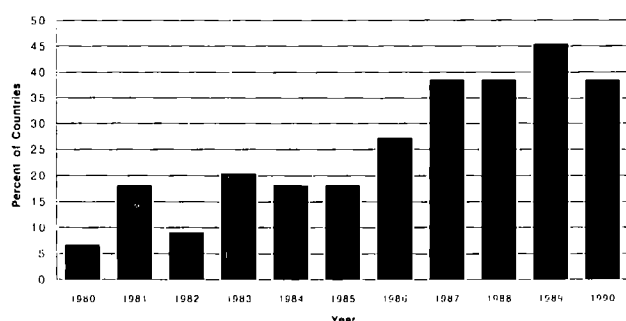


Fig. 1. Percentage of sub-Saharan African countries ($n = 44$) with World Bank structural adjustment programs, 1980–1990. (Data adapted from [20].)

An important consequence of these loan policies has been spiralling debt in the developing world, largely due to interest payments on loans. Total developing world debt rose from US\$ 562 billion in 1982 to 1020 billion in 1988 [22]; in sub-Saharan Africa debt now exceeds the region's annual GNP [16]. Dependence on IMF and World Bank loans increased over the 1980s, until in 1988 40% of sub-Saharan Africa's US\$ 218 billion debt was owed to these two institutions [22]. While in 1979 there was a net flow of US\$ 40 billion from industrialized to developing countries, interest payments soon outstripped new loans, and by the end of the 1980s US\$ 60 billion was being transferred in the opposite direction annually [22].

Ironically, even on the macroeconomic indices emphasized by the IMF and the World Bank, the performance of sub-Saharan African countries has been less than stellar. For example, per capita GNP in the 44 poorest countries had an average annual growth of 1.2% between 1965 and 1980; between 1980 and 1987 there was an average annual decrease of 1% in this index [23]. The real value of exports from sub-Saharan Africa declined by 0.8% annually between 1982 and 1987 [22].

Furthermore, a frequent result of the focus on national macroeconomic measures is to ignore other economic indices, such as poverty, unemployment, and income distribution. In the 1980s, per capita income in sub-Saharan Africa fell by over one-quarter and in most countries in the region unemployment increased [22]. In 1985, almost one-third of the population of developing countries, more than 1 billion people, were living below the World Bank-defined poverty level [24]. If present trends continue, the share of income accruing to the poorest 40% of the population in developing countries will drop from 9.8% in 1975 to 6.5% by the year 2000 [11].

These problems are particularly acute in sub-Saharan Africa. In Nigeria, a country that entered into seven IMF and World Bank SAP beginning in 1983 [20,21], oil exports were largely responsible for the 6.9% average annual growth in GNP between 1965 and 1980. However, by the mid-1980s living standards had fallen precipitously and were lower than they had been in the 1950s. GNP actually decreased at an average annual rate of 1.1% between 1980 and 1988. Similarly, while private consumption increased at an average annual rate of 5% between 1965 and 1980, it decreased at an average annual rate of 0.1% between 1980 and 1988. These latter trends, which were doubtless the result of many interacting social and economic factors including SAP, have intensified during the 1990s as the debt crisis worsens [24].

In recent years the World Bank has sought to limit the adverse social consequences of SAP by becoming more involved in health-care issues. These areas include HIV prevention and treatment (US\$ 600 million in loans between 1986 and 1994) [25], developing employment and training programs, and targeting health and educational programs toward disadvantaged groups. However, these efforts have been criticized as coming too late, being too limited in scope, too reliant upon the private sector, and consequently as reinforcing a two-tier health-care system [18,26].

The impact of SAP on the HIV epidemic

The effects of these SAP have been documented by the United Nations Children's Fund (UNICEF) and others [27–29]. Four phenomena that may result from SAP have conspired to undermine the social fabric of many developing countries, potentially promoting behaviors that place their citizens at increased risk for HIV infection: (1) declining sustainability of the rural subsistence economy; (2) development of a transportation infrastructure; (3) migration and urbanization; and (4) reductions in spending on health and social services.

Declining sustainability of the rural subsistence economy

Currency devaluation, investment concessions, and other efforts to promote exports under SAP disrupt rural subsistence economies. Small farmers and craftspeople find

themselves facing stiff and sophisticated foreign competition as declines in local income shrink the demand for their products. The shift to large-scale export agriculture, logging, and mining displaces rural subsistence producers. The rural population thus becomes a cheap labor pool for export manufacturing activities (which tend to be concentrated in large cities), export agriculture, and mining, and people in rural areas are often forced to leave their families in search of work. Those who remain in the rural areas often depend on remittances from their migrant family members. Ultimately, these migration patterns may be linked to the spread of HIV, as we discuss below.

Even some agricultural exports undermine the rural economy. Small-scale subsistence farming is displaced to less fertile land [30] and the production of food for local consumption is replaced by the production of commodities suitable for export or for consumption by the growing urban population [31]. Much of the wealth generated by agricultural exports does not devolve to the farmer; instead it is expropriated by urban international traders and later by industrialized country investors who benefit from the value added once these commodities arrive in the industrialized world. The need to purchase increasingly expensive agricultural materials further undermines the viability of the rural agrarian economy [32].

Between 1969 and 1985, per capita food production declined in 51 developing countries and increased in only 43. This decline led to deteriorations in food self-sufficiency, with cereal imports increasing substantially. Furthermore, food prices increased significantly, in part because of currency devaluation programs under structural adjustment [31]. These factors may contribute to declines in nutritional status, potentially increasing the risk for HIV seroconversion [33].

Development of a transportation infrastructure

Transportation networks that developed in the 1980s (often as explicit components of SAP) tended to support the export-led economies promoted by SAP rather than the commercial or personal needs of subsistence farmers. Thus, networks connecting outlying areas to export centers (rather than to other outlying areas) developed, connecting rural areas to urban centers with high HIV seroprevalences. This facilitates permanent or seasonal migration to large cities by rural dwellers searching for wage employment.

Transportation routes may also facilitate the spread of HIV as truck drivers and other workers carry the virus from the cities to casual partners along the roadways [3]. At Kenyan truck stops, young girls often have intercourse with truck drivers and local boys have sex with the same CSW who serve the truck drivers (S. Nzyuko, personal communication, 1993). In Tanzania, HIV infections cluster around truck stops, fishing camps, mining centers, and refugee camps [34]. High seroprevalences of HIV among truck drivers have also been reported in Kenya [35], the Sudan [36], and Nigeria [37].

Similarly, Abidjan, an international business hub and major port in Côte d'Ivoire, is a focal point of the HIV epidemic in West Africa [38].

In India, 64–82% of truck drivers frequent CSW [39–41]. Almost all the truck drivers on the Delhi–Bombay route have contracted sexually transmitted diseases (STD) at one time, and 6% of the truck drivers in one study were HIV-positive, with projected increases to 30% within 5 years [39].

Migration and urbanization

Structural adjustment and other development programs may also contribute to increasing HIV risk behavior by promoting urbanization, a phenomenon that preceded SAP but has been hastened by these programs' emphasis on export activity, which is usually concentrated in urban areas [27,30]. The annual urban population growth rate for sub-Saharan Africa between 1960 and 1990 was 5.2%, higher than in any region in the world [42]. For developing countries as a whole, urban populations are increasing 3.6% per year — 4.5 times faster than urban populations in industrialized countries and 60% faster than rural populations in developing countries [31]. While some of this increase was due to natural growth in developing country urban population size, 39% of the increase is estimated to result from migration [43].

These migration trends have profound implications for patterns of sexual relations. Male migrant workers may leave a single sexual partner in the countryside for multiple casual partners in the city. Indeed, in a study of male factory workers in Zimbabwe, HIV-positive men were more likely to live apart from their wives and to have multiple sexual partners than HIV-negative men [44]. Women in rural areas remain dependent on their male partners for financial support, decreasing the women's ability to negotiate for safe sex when the men return to the rural areas, and fostering the spread of HIV from cities to rural areas [45]. Women who remain in rural areas for protracted periods without their male partners may also take other partners, increasing their HIV risk [32].

Lack of adequate employment opportunity has forced workers from Botswana, Malawi, Swaziland, and Mozambique to seek work in South African mines; significant prevalences of HIV infection among blacks in South Africa were first detected among these migrant workers [46]. In Zambia, a country with nine IMF or World Bank structural adjustment loans between 1980 and 1991 [21], the Copper Belt contains 45% of reported AIDS cases, far greater than the percentage of the Zambian population that lives there [23,39]. Camps for predominantly male migrants working in the mining and forestry industries in Australia, Papua New Guinea, Malaysia, and Indonesia may also predispose to encounters with CSW [47].

Events in Thailand, which had five IMF or World Bank structural adjustment loans between 1980 and 1991 [21],

illustrate a possible cascading relationship between rural impoverishment, urbanization, and HIV infection. Road construction, reforestation projects, and logging encroach on the land of the rural population by turning vast areas of the countryside over to corporate interests. The rural population has become poorer, forcing them to migrate to urban centers such as Chiang Mai, where the HIV epidemic has been particularly severe [48,49]. Faced with a declining rural economy and a paucity of jobs for women in urban centers [30], 1 million Thai women have gravitated to the sex industry, while men can earn money in the drug trade and may initiate drug use themselves [50]. The HIV seroprevalence is 65% among some groups of CSW in Chiang Mai [49] and 43% among injecting drug users in Bangkok [51]. CSW who test HIV-positive may be sent back to the rural areas where they originally lived, reducing their access to health-care services and potentially introducing HIV into these regions [52].

Large-scale migration of CSW from poorer to richer countries is also common and may spread HIV infection. Approximately 10 000 Thai CSW work in Japan, while women from Laos, Myanmar (formerly Burma), and southern China engage in commercial sex work in Thailand [47].

SAP also advocate increased investment in the tourist industry as a means for earning foreign exchange and meeting macroeconomic targets. Foreign tourists may have been instrumental in spreading HIV in some areas through sex with CSW [53]. In Thailand, sex tourism from Europe, North America, Australia, and Japan is common and, at least in the past, condoms were rarely used [54].

Brazil, which has one of the highest total foreign debts in the developing world and which received seven IMF or World Bank structural adjustment loans between 1980 and 1991 [21], also illustrates the role of commercial sex work as a link between poverty and HIV. There are now 8 million Brazilian children out of school, in part because the state decreased spending on education, and children were forced to enter the informal economy. With escalating poverty rates came an increase in child abandonment; many of these children were forced into commercial sex work to survive and may have initiated drug use. The prevalence of HIV infection among one sample of street children was 9% and is likely to increase [55]. In many parts of the globe, demand for child prostitutes has increased as men seek partners less likely to be HIV-infected [52].

Reductions in spending on health and social services

While SAP create circumstances that could encourage high-risk behavior, they also decrease the resources available to reduce those behaviors and to treat HIV infection and its complications. Tax reductions and other concessions to foreign investors have decreased government revenues in many developing countries. Scarce govern-

ment resources are frequently allocated to meet the infrastructural needs of foreign investors rather than the health and welfare needs of the local population, and consequently many services and facilities have been eliminated, particularly in poorer regions. Between 1980 and 1985 there was a 26% decline in spending on health, education, and welfare in sub-Saharan Africa [23]. Spending on education for all low-income developing countries (excluding India and China) declined from 21% of national budgets in 1972 to 9% in 1988, and health spending dropped from 5.5 to 2.8% of national budgets over the same period [23]. Because levels of per capita social spending were extremely low prior to the debt crisis, these figures are even more telling. The average annual per capita health-care expenditure by African governments at the beginning of the 1990s was US\$ 2 [56].

As a result, only 2.8% of global expenditures for HIV prevention go to sub-Saharan Africa, which contains 10% of the world's population and accounts for two-thirds of the world's HIV infections [57,58]. The United States federal government spends US\$ 2.95 per capita annually for HIV prevention, a sum many would regard as insufficient, but still far greater than the US\$ 0.07 devoted to this task by governments in sub-Saharan Africa [59]. Under these circumstances, it is almost impossible to launch an effective campaign to reduce high-risk behavior or to provide resources such as condoms and sterile needles for preventing HIV transmission. High rates of illiteracy, in part the consequence of diminished educational expenditures, further reduce the effectiveness of HIV prevention programs that depend upon written materials [60].

While numerous economic studies have focused on the impact of HIV infection on developing country economies [61–63], less attention has been paid to the huge potential savings that could be realized if HIV prevention activities were adequately funded. In 1993, the World Health Organization (WHO) estimated that a comprehensive HIV prevention program, which would include condom promotion and distribution, treatment of STD, education programs in the schools and media, screening of the blood supply, and needle exchange programs, could cut the cumulative number of HIV infections in the developing world in half (by 9.5 million infections) by the turn of the century. WHO estimated that a program of this sort would cost US\$ 2.5 billion per year but would save US\$ 90 billion in the direct and indirect costs of HIV infection by the year 2000 [64].

Developing countries have been forced to charge fees for previously free medical treatment services [65], sometimes with devastating results. For example, when the World Bank mandated that Kenya impose charges of US\$ 2.15 for STD clinic services, attendance fell 35–60%, potentially increasing the burden of untreated STD and thereby increasing the risk of HIV transmission [66–68]. Similar decreases in clinic utilization following increases in user fees have been reported in Mozam-

bique, Zaïre, Ghana, and Zimbabwe [69-72]. The Bamako Initiative, which advocates charging developing country residents for essential pharmaceuticals and using the proceeds to purchase more drugs, has been similarly criticized for potentially leading to the denial of critical health services [69,73].

Decreased access to health services may have important implications for health status. In the northern Nigerian region of Zaria, the government reduced subsidies and introduced user fees. The 56% increase in the number of maternal deaths following these changes has been attributed to the Nigerian SAP [74].

Treatment resources for the HIV-infected are also scarce. Whereas the United States spends US\$ 32 000 per year to treat each AIDS patient, sub-Saharan African countries average under US\$ 400 per patient per year [59]. Declining health expenditures, currency devaluation, and foreign exchange shortages have contributed to severe pharmaceutical shortages in many African countries, including Zambia, Uganda, and the Gambia [27]. In most developing countries, the cost of drugs to treat HIV and its complications is prohibitive and zidovudine or other antiretroviral drugs are essentially unavailable [75]. Resources for treating STD are similarly limited, although some recent World Bank loans have included funding for this purpose [20].

State cut-backs in health-care spending can also lead to the emigration of professionals, technicians, and managers as their jobs are eliminated, their conditions of work deteriorate, and their costs of living escalate. Medical personnel, whose skills are in high demand on the international market, often leave their countries of origin at times when they are most needed. The number of foreign nurses admitted to the United States increased from 4701 in 1982 to 16 237 in 1990, with most coming from developing, particularly Asian, countries [76]. Fifty-six per cent of migrating physicians in the world emigrate from developing countries and fewer than 11% of all migrating physicians have other developing countries as their destinations. In Jamaica, the efflux of nurses, many of whom had been trained using Jamaican government funds, was so substantial that nursing vacancy rates exceeded 50%, forcing the Ministry of Health to close wards and reduce services [77].

The breakdown of health delivery systems that may accompany SAP also inhibits surveillance and testing for HIV. In many clinics in East and Central Africa, for example, patients are treated solely on the basis of their clinical findings, without even rudimentary laboratory support or HIV serotesting [59]. Even HIV screening of blood used for transfusion can be limited; in some countries only 50% of blood transfusions were screened [78]. Funding shortages also encourage the reuse of disposable syringes, potentially contributing to HIV transmission [79].

Toward an alternative development strategy

The preceding discussion highlights the need for social and economic interventions in stemming the spread of HIV and in treating those infected. While biomedical scientists worldwide have risen to meet the challenges offered by the HIV epidemic, the socioeconomic aspects of the epidemic have often been ignored. For HIV transmission in developing countries to be substantially reduced, economic policies that may have promoted disease spread must be modified.

What are the elements of an alternative development strategy? First, the satisfaction of basic human needs such as food, housing, and transport must become a primary goal; this can be accomplished in large part by reducing spending on military and luxury commodities [80]. A relatively inexpensive example of this would be altering long-distance truck drivers' work schedules so that they spend less time away from home, potentially decreasing the frequency of sexual contact with casual partners. Second, to ensure regional self-sufficiency, emphasis should shift from the production of a small number of primary commodities for export to the diversification of agricultural production [16,22,81]. Third, marginal producers and subsistence farmers must be supported. Thus, large infrastructure projects that are often environmentally destructive and socially disruptive must be de-emphasized and more attention paid to smaller scale projects using appropriate technology [16,82]. Fourth, because the economic value added in the production process results largely from the technological innovations that occur in industrialized countries, greater emphasis must be placed on human resource development in developing countries [16,18]. Fifth, the kind of paternalistic 'top-down' approach favored by the IMF and the World Bank must make way for a truly cooperative development policy, in which the desires of developing country citizens can be heard [22,81]. Finally, the charters of the IMF and the World Bank must be altered to permit the cancellation or rescheduling of debt. In the meantime, those institutions should play a leading role in the restructuring of debt owed to private lenders [81].

HIV infection will be an unwelcome guest for the foreseeable future. In recognition of this, the IMF and the World Bank should require AIDS Impact Reports (analogous to the now common Environmental Impact Reports), which would require the parties to any loan agreement to explicitly stipulate the potential impact of the proposed loan on HIV transmission.

In closing, the advice of one commentator bears heed-ing: '[The] epidemic of HIV-1 seropositivity [in Africa] is a social event, not simply a biological occurrence. Although a biological understanding of HIV-1 is necessary, it is inadequate. The epidemic of HIV-1 seropositivity and AIDS in Africa must be understood socially, in its historically specific context, or not at all' [30].

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Talk to you soon,

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Debt-for-AIDS Country Profiles

(Update as of 26 April 2000)

Malawi

A. Declaring a AIDS a Security Crisis

- Vice-President's Office Issued Statement Declaring Security Challenge
- Strong political commitment
- Need push for National political mobilization strategy being considered

B. Mainstreaming AIDS into Development Instruments

- Country developing Interim Poverty Reduction Strategy Paper (PRSP); HIV/AIDS will be featured as a priority
- Vice-President's Office is advocating for part of the budgetary savings from debt relief to be used for HIV/AIDS and orphans response; this needs to be pushed
- HIV/AIDS, including orphans, is not currently monitored as part of the Medium Term Expenditure Framework

C. Strategic Planning

- Highly developed National Strategic Framework; costing of plan initiated; not linked to outcome indicators
- Key sectoral strategic framework under development: education, agriculture
- Need Push for Orphans Response Strategic Plan

D. Resource Transfer Mechanism (RTM)

- Need push for development of RTM that can get resources to decentralized HIV/AIDS programs, including NGOs
- The World Bank is considering modifying the Malawi Social Action Fund

E. Institutional and Technologic Response

- National HIV/AIDS Secretariat is positioned under the Ministry of Health

Mozambique

A. Declaring a AIDS a Security Crisis

- HIV/AIDS has not been declared a security crisis

B. Mainstreaming AIDS into Development Instruments

- Interim Poverty Reduction Strategy Paper under development
- MZ considering using up to \$5 million of the budgetary savings from debt relief for HIV/AIDS

C. Strategic Planning

- National Strategic Framework under development
- Needs push for costing and outcome indicators
- Needs push for Orphans Response Strategic Plan

D. Resource Transfer Mechanism

- Budgetary savings from debt relief will pass through government Ministries
- MZ needs to ensure that NGOs can scale-up their HIV/AIDS response

E. Institutional and Technologic Response

- No national coordinating unit exists

Tanzania**A. Declaring a AIDS a Security Crisis**

- Increasing political will from the Office of the President

B. Mainstreaming AIDS into Development Instruments

- HIV/AIDS linked to poverty in Interim Poverty Reduction Strategy Paper
- recently approved HIPC commits government to short-term target to raise AIDS awareness in 75% of districts; needs push for outcome indicators

C. Strategic Planning

- National Strategic Framework under development
- Need push for Orphans Response Strategic Plan

D. Resource Transfer Mechanism

- The Tanzania Social Action Fund (TASAF) has been modified to include HIV/AIDS
- Major challenge remains to get resources to decentralized implementers

Uganda**A. Declaring a AIDS a Security Crisis**

- President Museveni declared HIV/AIDS a security crisis during March 2000 Consultative Group Meeting
- Need push for national political mobilization strategy to combat HIV/AIDS

B. Mainstreaming AIDS into Development Instruments

- HIV/AIDS will feature as a goal level priority in the Poverty Eradication Action Plan
- Under the Enhanced HIPC, HIV/AIDS—including Orphans Response will be a recipient of the budgetary savings from debt relief
- HIV/AIDS public expenditures not measured as part of the Medium Term Expenditure Framework

C. Strategic Planning

- National Strategic Framework completed and costed
- Need push for sectoral frameworks (education, agriculture, health)
- Need push for Orphans Response Strategic Plan

D. Resource Transfer Mechanism

- The Uganda Poverty Action Fund has been modified to include conditional grants for HIV/AIDS, including orphans response
- Needs push to ensure that these public resources can go to NGOs

E. Institutional and Technologic Response

- Uganda AIDS Commission is being revitalized and will stay linked to the Office of the Presidency

Zambia**A. Declaring a AIDS a Security Crisis**

- no political statements made

B. Mainstreaming AIDS into Development Instruments

- Interim Poverty Reduction Strategy Paper to be developed
- HIPC planned for later in 2000; Needs advocacy push to ensure that a portion of the budgetary savings from debt relief will used for HIV/AIDS and orphans response

C. Strategic Planning

- National Strategic Framework developed; costing underway
- Needs push for link to outcome indicators
- Education sector strategy under development; needs push for implementation
- Zambia HIV/AIDS Business Coalition under development
- Needs push for Orphans Response strategic plan

D. Resource Transfer Mechanism

- Civil society is recommending a Poverty Action Fund to receive the budgetary savings from debt relief; could include component on HIV/AIDS

E. Institutional and Technologic Response

- The National HIV/AIDS Council and Secretariat have been officially announced; operationalizing this mechanism needs to be pushed
- National HIV/AIDS Council remains linked to the Ministry of Health

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Aiding and Abetting an Epidemic ▲

As the rate of HIV-AIDS reaches record highs in Africa, the burden of foreign debt depletes scarce resources for prevention and care

By Laura Dely



Debt: An Obstacle to Change

Sub-Saharan African countries owe the IMF, World Bank, and rich countries more than \$220 billion dollars. Such debt diverts funds from domestic needs. The disastrous impact can be seen in the lack of resources available to address the AIDS epidemic that is ravaging many of these countries. Perhaps nothing better illustrates why advocates for debt cancellation see the Jubilee 2000 movement as a vital opportunity to bring a glimmer of hope to places where it is desperately needed. Recent moves by the World Bank, IMF, and industrialized countries to improve debt relief are a start—but more is needed.

Ironically enough, the poverty of many people in sub-Saharan Africa has been made worse by previous efforts at debt relief. The World Bank and International Monetary Fund have linked any debt cancellation with sweeping, externally imposed economic reforms. The "HIPC Initiative" (for "heavily indebted poor countries"), drafted by the World Bank and the IMF in 1996, forces indebted nations to enact draconian economic measures in order to receive even limited debt relief.

International financial institutions insist these reforms are necessary to create economies that work. Plainly put, the managers of the global economy insist that such measures are "pain for gain." But many feel that the suffering caused in the reform process is damaging the affected societies beyond repair. Governments try to implement the reform guidelines despite harm to their citizens, in a desperate attempt to qualify for international relief.

Of the countries poor enough to enroll in the World Bank/IMF initiative, only four—Uganda, Bolivia, Guyana, and Mozambique—have received aid. The others stand in line hoping to prove themselves worthy of the much-needed relief. Critics of the plan say it is an unmitigated failure. "The only winners are the staffs of the IMF and World Bank, which have invented a perpetual motion machine for endless missions to these hapless countries," wrote Harvard economist Jeffrey Sachs in a *New York Times* op-ed piece earlier this year.

Jubilee 2000/USA, the U.S. component of the largely faith-based global group dedicated to winning debt relief for the most heavily indebted countries, says that each citizen of the targeted nations owes at least twice as much as they are able to earn in a year. And the suffering such indebtedness brings is very concrete. "African countries on average spend twice as much on repaying foreign debt as on providing health care," says David Bryden, spokesperson for Jubilee 2000/USA.

*file
debt
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The real cost of foreign debt is that it prevents the poorest countries in the world from providing even the most basic social safety net. The result? The needless death each year of millions of people. "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 21 million children by the year 2000," according to the United Nations Development Program, which has long advocated debt cancellation.

During the past year the World Bank, the G7 industrialized countries, and the IMF have come to acknowledge the ineffectiveness of the HIPC Initiative. Changes have been made that IMF officials say will allow countries to qualify for relief sooner and will guarantee that saved funds go towards reducing poverty. Funding for relief also has been increased. But according to *The Washington Post*, "the 26 countries first in line to benefit from the aid still would carry about \$45 billion in loans." Jubilee 2000 activists also question the continuing central role of the IMF in designing the proposed poverty reduction plans, since it has a record of failing to promote sustainable development.

Critics who argue for full debt cancellation point out that ordinary citizens in indebted countries will still suffer the burden of repayment, even though they were never beneficiaries of the enormous loans from the West. Western governments often lent to undemocratic and corrupt governments, whose leaders played the West against the Soviets during the Cold War years. Many of these corrupt leaders now live in luxurious exile on the funds they stole from their country's coffers.

Debt + AIDS = a Nightmare

AIDS is an insidious cataclysm that the debt crisis intensifies to unimaginable proportions of human misery and despair. Already AIDS has reversed hard-won gains in life expectancy, infant mortality, and virtually every other measure of human development.

Peter Henriot, SJ, has lived and worked for the past 11 years in Zambia, where he directs the Jesuit Center for Theological Reflection in Lusaka. Henriot has had a firsthand look at the devastation that HIV-AIDS has wreaked in this decade. In 1991, the average life expectancy in Zambia was 54; today, it has plunged to 44 and continues to decline. "All of this decline is attributable to AIDS, compounded by inadequate health services—the lack of essential medicines and medical personnel, and imposition of fees that discourage use of health facilities by the poor," says Henriot.

The shadow cast by HIV-AIDS on the future of sub-Saharan Africa is so foreboding as to be almost incomprehensible. Nowhere else in the world is the rate of infection as high as it is in sub-Saharan Africa. Of the 14 million people worldwide who have died of AIDS, more than 11 million have been Africans. Put another way, the HIV-AIDS infection rates are 9 to 20 percent in sub-Saharan Africa. By contrast, the rest of the world has a less than 6 percent rate of infection.

Nowhere to Go

These terrible numbers hit harder when you look at the fact that AIDS in Africa overwhelmingly affects fathers and mothers of children. Most African families are large, often with five or six children who will be left to fend for themselves in countries without foster care programs, food stamps, or Medicaid. Even soup kitchens do not exist in these countries, and primary schools all require tuition—there are no "public" school systems.

With estimates of adults infected by HIV-AIDS pushing past the 22 million mark for the region, almost all of whom will certainly die of the disease, by conservative estimate there will be 40 million AIDS orphans by the year 2005. "Ninety-five percent of the world's orphans will be in Africa," says Doug Huber of Pathfinder International, an organization committed to development through practical family

planning.

Where the rates of infection are highest—in Zambia and Zimbabwe, for instance, as many as 32 percent of all adults are infected—the impact of HIV-AIDS on children is most devastating. "A child born in Zambia or Zimbabwe today is more likely than not to die of AIDS," says Robert Calderisi, vice president for external affairs at the World Bank in Washington, D.C.

In these countries it would normally fall to a child's relatives to step in to care for those who become orphans. But with the infection rate so high, AIDS also strikes down many potential caregivers. When relatives do take in orphans, the burden of care is great for families whose resources are already meager. According to Nobel Prize-winning economist Amartya Sen, three billion people live on less than \$2 a day, with most of them living in sub-Saharan Africa. "How then can a family take in the four, five, or six children of a relative who has died from AIDS?" asks Henriot. He also points out the additional burden of burial costs to AIDS victims' relatives, which further depletes limited funds needed for food, shelter, and essential survival goods.

In Tanzania, "half of the families are taking care of other people's children, whose parents were lost to AIDS," says Calderisi. Tanzania has an infection rate of just under 10 percent. According to UNICEF, "Children who have lost their mother or both parents are society's most vulnerable members. Socially isolated because of the stigma of AIDS, they are less likely to be immunized, more likely to be malnourished and illiterate, and more vulnerable to abuse and exploitation."

Because AIDS is striking the most productive and educated segments of the population in sub-Saharan Africa, there is also a shortage of primary schoolteachers. This is especially true in rural areas, where there is also a high rate of infection among agricultural workers, which further reduces the local food supply. A UNAIDS office survey found that one-third of rural households affected by AIDS experienced a 50 percent reduction in agricultural output. Says the World Bank's Calderisi, "This makes it difficult even for children with two healthy parents to get an education in these areas."

According to the World Bank, "stunting" from lack of nutrition affects around 50 percent of AIDS orphans, with possible permanent effects on the child's mental ability.

What Can Be Done?

While in the West drug treatments have extended the lives of many with AIDS, these drugs can't reach the debt-ridden countries of sub-Saharan Africa. "To treat the infected in just two countries, Kenya and Uganda, with these drugs, you would have to have \$30 billion to \$38 billion dollars in your health budget," says World Bank HIV-AIDS coordinator Dr. Debrewerk Zewdie. "At most, these countries will have \$100 to \$200 *million* for their annual health budgets—so these anti-retroviral regimes are just impossible."

Adds Zewdie, an immunologist from Ethiopia, "People there do not eat three meals a day. These drugs all require that they be taken with food or some specific time period before or after eating throughout the day. So you would have to attack the food problem as well as find overwhelming amounts of funding just to buy the drugs. Impossible."

But Zewdie says we must do what can be done immediately. The World Bank is currently intensifying its efforts to address the sub-Saharan AIDS problem. It will consist of a three-tiered approach that will begin with making palliative over-the-counter medicines available. "Aspirin, painkillers are not widely available in Africa, and they should be. We need to focus on what is doable today—how can we make life more comfortable," says Zewdie.

A Model Approach

Uganda is one of the hardest hit of all countries in the AIDS epidemic; it is also now one of the most successful and focused in confronting and managing the crisis. According to World Bank reports, Uganda's program, which is strong on preventative education, has lowered the rate of HIV-AIDS infection to below 10 percent. In 1992, when Uganda elected a new president, Yoweri Museveni, the rates of infection there were the highest in the world, exceeding 25 percent of the adult population, and were continuing to skyrocket with every passing month.

"The Museveni government took the HIV-AIDS problem seriously and incorporated their AIDS prevention initiative into their overall development program," said the World Bank's Calderisi. "And Uganda took development very seriously. They are the first African HIPC country to qualify for debt relief, which they rolled into their HIV-AIDS program."

Uganda's success in coping with the AIDS crisis could be a model for other sub-Saharan countries to use in developing HIV-AIDS programs of their own, which is the next step of the World Bank's new push to fight the disease in Africa. But many advocates of debt relief, as well as advocates for HIV-AIDS control, caution that Western nations must be respectful of African nations and listen to their ideas for what will work to combat AIDS. "In the past, Western nations have just rushed in like a firehouse crew and attacked the AIDS emergency in Africa," says Zewdie. "While it's good to have the awareness that there is a crisis in Africa in HIV-AIDS infection and death, each country will have its own best solution for what will work there."

Preventative education, new drug treatments, support for orphans and caregivers—all these take money, money that debt relief could help provide. Peter Henriot expresses the frustration that many Jubilee 2000 advocates have with the slow pace of funding debt relief, especially in light of such deep human needs: "Look at the year 2000 computer problem—billions were found instantly to fix that problem. What about the people in the highly indebted countries?"

Actions in the immediate future by the sub-Saharan governments as well as by creditor nations will have an enormous impact on the lives of millions in Africa. In the West, people of faith can answer the call in the Book of Leviticus for a Jubilee of debt cancellation with rollovers to be directed toward controlling HIV-AIDS, health, and education in sub-Saharan Africa. Visit www.j2000usa.org for information about Jubilee events you can be part of and news about the debt relief effort. Life for millions is in the balance.

Laura Dely is a free-lance writer living in Arlington, Virginia. She writes frequently on human rights and social justice issues.

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Debt + AIDS = a Nightmare

AIDS is an insidious cataclysm that the debt crisis intensifies to unimaginable proportions of human misery and despair. Already AIDS has reversed hard-won gains in life expectancy, infant mortality, and virtually every other measure of human development.

Peter Henriot, SJ, has lived and worked for the past 11 years in Zambia, where he directs the Jesuit Center for Theological Reflection in Lusaka. Henriot has had a firsthand look at the devastation that HIV-AIDS has wreaked in this decade. In 1991, the average life expectancy in Zambia was 54; today, it has plunged to 44 and continues to decline. "All of this decline is attributable to AIDS, compounded by inadequate health services—the lack of essential medicines and medical personnel, and imposition of fees that discourage use of health facilities by the poor," says Henriot.

The shadow cast by HIV-AIDS on the future of sub-Saharan Africa is so foreboding as to be almost incomprehensible. Nowhere else in the world is the rate of infection as high as it is in sub-Saharan Africa. Of the 14 million people worldwide who have died of AIDS, more than 11 million have been Africans. Put another way, the HIV-AIDS infection rates are 9 to 20 percent in sub-Saharan Africa. By contrast, the rest of the world has a less than 6 percent rate of infection.

Nowhere to Go

These terrible numbers hit harder when you look at the fact that AIDS in Africa overwhelmingly affects fathers and mothers of children. Most African families are large, often with five or six children who will be left to fend for themselves in countries without foster care programs, food stamps, or Medicaid. Even soup kitchens do not exist in these countries, and primary schools all require tuition—there are no "public" school systems.

With estimates of adults infected by HIV-AIDS pushing past the 22 million mark for the region, almost all of whom will certainly die of the disease, by conservative estimate there will be 40 million AIDS orphans by the year 2005. "Ninety-five percent of the world's orphans will be in Africa," says Doug Huber of Pathfinder International, an organization committed to development through practical family

planning.

Where the rates of infection are highest—in Zambia and Zimbabwe, for instance, as many as 32 percent of all adults are infected—the impact of HIV-AIDS on children is most devastating. "A child born in Zambia or Zimbabwe today is more likely than not to die of AIDS," says Robert Calderisi, vice president for external affairs at the World Bank in Washington, D.C.

In these countries it would normally fall to a child's relatives to step in to care for those who become orphans. But with the infection rate so high, AIDS also strikes down many potential caregivers. When relatives do take in orphans, the burden of care is great for families whose resources are already meager. According to Nobel Prize-winning economist Amartya Sen, three billion people live on less than \$2 a day, with most of them living in sub-Saharan Africa. "How then can a family take in the four, five, or six children of a relative who has died from AIDS?" asks Henriot. He also points out the additional burden of burial costs to AIDS victims' relatives, which further depletes limited funds needed for food, shelter, and essential survival goods.

In Tanzania, "half of the families are taking care of other people's children, whose parents were lost to AIDS," says Calderisi. Tanzania has an infection rate of just under 10 percent. According to UNICEF, "Children who have lost their mother or both parents are society's most vulnerable members. Socially isolated because of the stigma of AIDS, they are less likely to be immunized, more likely to be malnourished and illiterate, and more vulnerable to abuse and exploitation."

Because AIDS is striking the most productive and educated segments of the population in sub-Saharan Africa, there is also a shortage of primary schoolteachers. This is especially true in rural areas, where there is also a high rate of infection among agricultural workers, which further reduces the local food supply. A UNAIDS office survey found that one-third of rural households affected by AIDS experienced a 50 percent reduction in agricultural output. Says the World Bank's Calderisi, "This makes it difficult even for children with two healthy parents to get an education in these areas."

According to the World Bank, "stunting" from lack of nutrition affects around 50 percent of AIDS orphans, with possible permanent effects on the child's mental ability.

What Can Be Done?

While in the West drug treatments have extended the lives of many with AIDS, these drugs can't reach the debt-ridden countries of sub-Saharan Africa. "To treat the infected in just two countries, Kenya and Uganda, with these drugs, you would have to have \$30 billion to \$38 billion dollars in your health budget," says World Bank HIV-AIDS coordinator Dr. Debrewerk Zewdie. "At most, these countries will have \$100 to \$200 *million* for their annual health budgets—so these anti-retroviral regimes are just impossible."

Adds Zewdie, an immunologist from Ethiopia, "People there do not eat three meals a day. These drugs all require that they be taken with food or some specific time period before or after eating throughout the day. So you would have to attack the food problem as well as find overwhelming amounts of funding just to buy the drugs. Impossible."

But Zewdie says we must do what can be done immediately. The World Bank is currently intensifying its efforts to address the sub-Saharan AIDS problem. It will consist of a three-tiered approach that will begin with making palliative over-the-counter medicines available. "Aspirin, painkillers are not widely available in Africa, and they should be. We need to focus on what is doable today—how can we make life more comfortable," says Zewdie.

A Model Approach

Uganda is one of the hardest hit of all countries in the AIDS epidemic; it is also now one of the most successful and focused in confronting and managing the crisis. According to World Bank reports, Uganda's program, which is strong on preventative education, has lowered the rate of HIV-AIDS infection to below 10 percent. In 1992, when Uganda elected a new president, Yoweri Museveni, the rates of infection there were the highest in the world, exceeding 25 percent of the adult population, and were continuing to skyrocket with every passing month.

"The Museveni government took the HIV-AIDS problem seriously and incorporated their AIDS prevention initiative into their overall development program," said the World Bank's Calderisi. "And Uganda took development very seriously. They are the first African HIPC country to qualify for debt relief, which they rolled into their HIV-AIDS program."

Uganda's success in coping with the AIDS crisis could be a model for other sub-Saharan countries to use in developing HIV-AIDS programs of their own, which is the next step of the World Bank's new push to fight the disease in Africa. But many advocates of debt relief, as well as advocates for HIV-AIDS control, caution that Western nations must be respectful of African nations and listen to their ideas for what will work to combat AIDS. "In the past, Western nations have just rushed in like a firehouse crew and attacked the AIDS emergency in Africa," says Zewdie. "While it's good to have the awareness that there is a crisis in Africa in HIV-AIDS infection and death, each country will have its own best solution for what will work there."

Preventative education, new drug treatments, support for orphans and caregivers—all these take money, money that debt relief could help provide. Peter Henriot expresses the frustration that many Jubilee 2000 advocates have with the slow pace of funding debt relief, especially in light of such deep human needs: "Look at the year 2000 computer problem—billions were found instantly to fix that problem. What about the people in the highly indebted countries?"

Actions in the immediate future by the sub-Saharan governments as well as by creditor nations will have an enormous impact on the lives of millions in Africa. In the West, people of faith can answer the call in the Book of Leviticus for a Jubilee of debt cancellation with rollovers to be directed toward controlling HIV-AIDS, health, and education in sub-Saharan Africa. Visit www.j2000usa.org for information about Jubilee events you can be part of and news about the debt relief effort. Life for millions is in the balance.

Laura Dely is a free-lance writer living in Arlington, Virginia. She writes frequently on human rights and social justice issues.

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UNITED NATIONS HIGH COMMISSION
FOR HUMAN RIGHTS

(Preliminary Draft Report)

Commission on Human Rights

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**DEBT RELIEF AND SOCIAL INVESTMENT: LINKING THE "HIPIC"
INITIATIVE TO HIV/AIDS EPIDEMIC IN AFRICA, POST-MITCH
RECONSTRUCTION IN HONDURAS AND NICARAGUA, AND THE
CONVENTION THE WOREST FORMS OF CHILD LABOR**

A JOINT REPORT SUBMITTED BY MR. FANTU CHERU, THE INDPENDENT
EXPERT ON STRUCTURAL ADJUSTMENT, AND MR. REINALDO FIGUEREDO,
THE SPECIAL RAPPORTEUR ON FOREIGN DEBT

DECEMBER 15, 1999

EXECUTIVE SUMMARY

At the G-7 meeting in Cologne in June 1999, the leaders of the industrialized countries announced a major debt reduction initiative that goes far beyond what was discussed during the spring meeting of the IMF and the World Bank. The Cologne Initiative proposed incremental, but noteworthy step toward improving the HIPC initiative which is administered by the World Bank and the IMF. Unfortunately, the debt relief, as envisaged under the Cologne reforms, would be neither sufficiently deep nor broad and would not be delivered at the pace required to addressing the pressing development financing needs of poor countries.

While we recognize the limitations of the Enhanced HIPC initiative, its new emphasis on strengthening the link between debt relief and poverty reduction represent a tremendous step-forward in the tortured history of debt relief for poor countries. It is in this context that we would like to focus the world's attention to the urgent need to link debt relief to three critical humanitarian emergencies that require immediate response from the international community because of their generalized impact on the promotion and protection of the human rights of millions of destitute people.

The HIV/AIDS epidemic, besides being the most important public health problem, has become the greatest threat to Africa's development. Past achievements in economic growth, improved life expectancy and decreasing child mortality have been quickly reversed by the speed in which the HIV virus has spread. Each day in Africa, more than 5,000 people with AIDS die, and epidemiologists expect that figure to climb to almost 13,000 by 2005. By that time, more people in sub-Saharan Africa would have died from AIDS than both world wars combined or from the bubonic plague, which killed 20 million people in the 14th century Europe. Because of the unfolding humanitarian crisis, we call upon the creditor nations and institutions to cancel Zambia's debt immediately so that resources could be devoted to the containment of the epidemic. Addressing this crisis is not an optional charity, but an obligation.

Secondly, we focus on the devastating effects of Hurricane Mitch, which hit Honduras and Nicaragua with devastating force, resulting in the largest natural disaster both countries experienced in recent memory. Both countries sustained heavy losses of human lives and much of their infrastructure and productive economic base have been destroyed, casting more doubts about the future prospects of these countries to address structural poverty and underdevelopment.

Both countries are saddled with huge external debts and they will not be able to address the challenge of reconstruction and transformation of their respective economies without a large infusion of external assistance on concessional basis. We believe that, considering the extent of poverty and the damage left behind by Hurricane Mitch, both Honduras and Nicaragua should be declared as "disaster areas" and, accordingly, their outstanding debts to creditor countries and institutions should be cancelled outright with no conditions.

Finally, we propose to make a direct link between debt relief and the implementation of the Convention on the Worst Forms of Child Labor". Drawing largely from the successful Brazilian experience of "Bolsa Escola", we argue for creating avenues for taking children out of the worst form of child labor by providing them so that they can remain in school, as well as direct support to their parents so that they would not be inclined to keep the children at home as additional source of income.

We purposely chose these three topics for one reason. The battle over advocacy for debt relief and the convention on the worst forms of child labor, which have taken many years of hard work by courageous NGOs and civil society organizations, has been won and it is time that we move from 'advocacy' to action. Linking debt relief to HIV/AIDS, post-Mitch Reconstruction and re-investing on Children's education is one small step in the long march to eradicate poverty in the poorest developing countries.

Section I

GAMES NATIONS PLAY: THIRD WORLD DEBT, THE 'HIPC INITIATIVE' AND THE POLITICS OF INDIFFERENCE

For almost 20 years, the international financial institutions and creditor governments were engaged in self-deceptive and destructive game of managing Third world economies from afar and by forcing down unpopular economic policies down the throats of powerless Third World countries on the belief that the bitter medicine of macroeconomic adjustment would ultimately put these countries on a path to prosperity and debt-free existence. Two decades later, many countries are in worse condition than when they started implementing IMF/World Bank structural adjustment programmes. The social and ecological costs of these harsh austerity programs have been far reaching, with many countries experiencing dramatic decline in human development targets.

Two decades later, and after many years of persistent resistance against the policies of the IMF and the World Bank by a global coalition of NGOs and civil society organizations, the Bretton Woods institutions were finally pressed to recognize the need to address the issue of poor country debt and approved the Heavily Indebted Poor Country (HIPC) initiative in the fall of 1996. The World Bank and IMF have identified 41 countries as eligible for the Heavily Indebted Poor Countries (HIPC) initiative. These countries alone owed \$221 billion in 1998. About \$61 billion of that debt is owed to the multilateral financial institutions. To repay this debt, governments shift scarce financial resources away from the necessary investments in human, social, and physical infrastructure including schools, health services, roads, agriculture, and other areas that lay the foundation for sustainable development. Excessively high debt service payment serves to prevent these countries from getting on a path of sustainable, equitable economic growth.

Under the original HIPC, a country only receives debt relief after jumping two hurdles. First, it must have completed six years of structural adjustment under the IMF's Enhanced Structural Adjustment Facility (ESAF). Second, debt relief itself is a two-step process—a decision is taken to grant debt relief, subject to meeting certain additional conditions. When these are met, the debt is actually cancelled. Less than three years later, however, the IMF and the World Bank concluded that, at their 1999 spring meeting, that the HIPC initiative had major shortcomings and there was a need for more substantive steps to address the debt problem. Not surprisingly only three countries have had actual debt relief—Uganda and Bolivia, in April and September 1998 respectively, and Mozambique in mid-1999—almost three years after the program had started. Four others—Mali, Cote d'Ivoire, Guyana and Burkina Faso—were close to fulfilling the required conditions at the end of 1999. Burkina Faso is expected to get actual debt relief in April 2000 and Cote D'Ivoire in March 2001. The stringent qualification criteria simply excluded many poor indebted countries for requesting debt relief. Further more, the decision by the IMF and the World Bank to change course came about in response to the successful political pressure mounted by the international Jubilee 2000 movement, which called for debt cancellation for the poorest countries.

Finally, as we will make clear in this report, the inflexibility of the IMF and the World Bank on macroeconomic conditionalities put undue and unnecessary pressure particularly on countries that are trying to come to terms with wide scale humanitarian crisis due to the effects of war and genocide (e.g. Sierra Leone, Rwanda), natural disasters (e.g., such as Hurricane Mitch in Honduras and Nicaragua), and countries where high HIV/AIDS prevalence is wiping out decades of development (e.g. Zambia). For these crisis-ridden countries, ESAF conditionalities should not remain the sole gatekeeper for determining eligibility for debt relief. In fact, debt relief should be part of a much larger humanitarian assistance. The HIPC Initiative should avoid excessive conditionality so as to allow for greater flexibility for countries facing major humanitarian crisis or emerging from conflict. As it stands now, the HIPC initiative is grossly inadequate, and can only be part of the solution not the whole.¹ Other parts include increasing aid flows, mobilizing internal savings, improved terms of trade, increasing and diversifying exports. These countries cannot afford to wait three to six years before receiving HIPC debt relief.

HIPC and the Post-Cologne Consensus: Old Wine in a New Bottle?

At the G-7 meeting in Cologne in June 1999, the leaders of the industrialized countries announced a major debt reduction initiative that goes far beyond what was discussed during the spring meeting of the IMF and the World Bank. The Cologne Initiative proposed incremental, but noteworthy steps toward improving the HIPC initiative which is administered by the Fund and the Bank. Chief among these are the proposal to grant larger reductions of the total accumulated debt (the debt overhang), quicker reductions in debt service payments, and finally placing poverty reduction at the heart of an enhanced HIPC framework. Unfortunately, the debt relief, as envisaged under the Cologne reforms, would be neither sufficiently deep nor broad and would not be delivered at the pace required to addressing the pressing development financing needs of poor countries.

The HIPC debt relief is caught in a complex web of IMF and World Bank eligibility conditions. Among other factors, eligibility for debt relief under the Enhanced HIPC initiative is conditioned upon "good performance" in the implementation of IMF and World Bank Enhanced Structural Adjustment programme (which is proposed to become the Poverty Reduction and Growth Facility—PRGF) for a period of three years instead of six years under the original HIPC. Having reached the decision point after the first three years of good economic performance, the country must then demonstrate that its debt-servicing is unsustainable, following designated threshold values with respect to the ratio of debt to exports, and the ratio of debt to fiscal revenues.² If the country finally qualifies

¹ Warren Nyamugasira, "Rwanda and the Impact of Debt Relief on the poor: Reconciliation can't wait; Children headed households can't wait", An NGO input to the HIPC Review Seminar (July 29, 1999); GRZ/UNICEF, **Overcoming Barriers to Zambia's Development: Dismantling the Tripod of Deprivation; Debt & Disease**, Mid-term Review (August 1999).

² The enhanced HIPC stipulates that in order to qualify for relief, a country must have a debt/exports ratio of 150% and debt/tax ratio of 250% or more combined with tax/GDP and exports/GDP ratios of at least 15% and 30%.

for relief, its debt-servicing is brought down to what is deemed within the terms of the initiative to be a sustainable level, only after reaching the completion point, or a further three-year waiting period. This is less than generous arrangement still leaves the country deflecting a sizeable portion of its scarce foreign exchange earnings into debt servicing for an indefinite period of time. *Put simply, HIPC /ESAF is a back-door way for both the IMF and the World Bank to maintain control over the national development policies of poor and indebted countries.*

There is, however, one new critical element contained in the enhanced HIPC initiative which was absent under the old HIPC. Countries wishing support for debt-relief, or from IDA and under the ESAF (soon to be named the Poverty Reduction and Growth Facility-PRGF), should prepare a comprehensive poverty reduction strategies which would be set out in Poverty Reduction Strategy Papers (PRSP).³ The PRSPs should be country-driven; prepared and developed transparently with broad participation of civil society, key donors and other relevant IFIs; and linked clearly with agreed international development goals—principles embedded in the Comprehensive Development Framework (CDF). The idea, which is a brainchild of Oxfam and UNICEF, is designed to serve as a “contract” between debtors and creditor governments.

While the responsibility of preparing PRSPs rest first and foremost with the authorities of the countries concerned, the consultative process could be facilitated by the Bank, with the involvement of the Fund on macroeconomic policies and in relevant structural areas. Governments may also need to seek extensive technical assistance—including from the Bank and Fund—on the elaboration of policies within the PRSP.⁴ The only problem is that key UN specialized agencies, with extensive experience in poverty eradication, are completely excluded from playing a key role in the management of the HIPC initiative. This is a serious omission that must be addressed quickly if the initiative is to bear any fruit and be sustainable. By comparison, the non-governmental organizations have had a much better luck than the combined UN system in having a constructive dialogue with the IFIs.

Indeed, the emphasis on strengthening the link between debt relief and poverty reduction represents a tremendous step-forward in the tortured history of debt relief for poor countries. At the same time, how much weight both the IMF and the World Bank will attach to poverty strategy plans that are an outcome of genuine and broad-based national consultations in determining debt relief to a country remains to be seen. First, poverty reduction is particularly a new terrain for the IMF, and it is still doubtful that the Fund is genuinely interested or has the necessary internal capacity to integrate ESAF-macroeconomic conditions to broader social development goals. While expenditures on education and health services will be expanded under the new HIPC, the structural factors that induce poverty are unlikely to be addressed by conventional structural adjustment

³ International Development Association (IDA), **Heavily Indebted Countries (HIPC) Initiative: Strengthening the Link between Debt Relief and Poverty Reduction**, Confidential Document, IDA/SecM99-45 (August 26, 1999).

⁴ IMF and World Bank Joint Internal Circular, “Poverty Reduction Strategy Papers: Information for Bank/Fund Staff”, jointly signed by Michel Camdessus and James D. Wolfensohn (undated)

programs.⁵ Second, the decision to link debt relief to ESAF conditionalities is a clever way of by the IMF to dictate countries into unquestioning acceptance of its neo-liberal economic orthodoxy. This would in the end influence the theoretical content of the national Poverty Reduction Strategy Papers, effectively bringing them in line with the theoretical thinking of the IMF.

The recent experience of IMF in implementing ESAF had shown that high-levels of non-compliance by countries is, in part, a symptom of the top-down approach by the Fund in the design of loan conditions. At the end of the day, fulfilling ESAF conditionalities rather than demonstrated government efforts toward poverty reduction would ultimately determine qualification for debt relief.⁶ Finally, while debt relief is important in the short run, the extent to which additional fresh resources would be available for HIPC countries is not certain. Debt relief alone is not going to be enough to put these broken countries on a path of sustained growth. If one goes by the experience of the recent budget compromises in the US Congress, funding for HIPC is not all assured. President Clinton sent a request to Congress for \$1 billion in additional funds for debt relief to heavily indebted poor countries, including 100 percent cancellation for debts owed by 30 of them to the US government. When the final budget deal was completed in late November, Congress had approved only \$130 million for debt relief, and that amount will cover only bilateral debt relief. Congress did, however, authorize for revaluation of approximately 10 million ounces IMF gold reserve and for the transfer of the proceeds to fund new IMF structural adjustment lending under the ESAF programme.⁷ The Jubilee 2000 movement, especially in developing countries, opposes ESAF and would like to see the IMF to use the money to cancel loans rather than fund further structural adjustment.

The Enhanced HIPC Initiative could become more meaningful and poverty oriented only if decisions on conditions and terms of debt relief are left to the countries themselves, subject to broad consultation with civil society organizations in the country. In addition, the initiative could become effective if UN specialized agencies with broad conception of the poverty problem, such as UNDP, ILO and UNICEF, are invited to become partners with the Bretton Woods Institutions in the management of the HIPC Initiative. This would guarantee that both macroeconomic objectives and social development goals are simultaneously addressed by HIPC Initiative.⁸ The national poverty reduction strategy paper (PRSP), if done properly, will become an important policy instrument so long as the countries have the autonomy to determine the content of the framework, and on the basis of broad and transparent consultation with civil society and the private sector. The PRSP, which would be updated regularly, would in essence become the basic framework that would be used to guide Bank/Fund lending operations to poor countries in the future.

⁵ Statement of the Development GAP on the proposed multilateral and G-7 Debt-reduction Plan, (October 1999).

⁶ OXFAM/UNICEF, "Debt Relief and Poverty Reduction: Meeting the Challenge", report submitted for HIPC Review Seminar (July 29, 1999), p.15

⁷ Jubilee 2000/USA Action Alert, "Africa: Debt, IMF, and US Congress", <http://www.j2000usa.org> (November 6, 1999).

⁸ Jeffrey Sachs et al., "Implementing Debt Relief for the HIPCs", submission to the HIPC Review Phase II (August 1999).

It is expected that other donors would also use the same framework for determining their assistance to governments. The PRSPs will contain the following key elements:⁹

- Structural, institutional, social, and macroeconomic conditions, and country policies which impact on existing poverty outcomes. Identification of the obstacles to more rapid growth and poverty reduction and priorities for tackling these. Elaboration of a medium-term macroeconomic framework and structural policy matrix to support poverty reduction.
- Existing and planned consultative processes available to government to include the views of civil society, the private sector, and other domestic stakeholders, and of donors, regional development banks, and other international financial institutions and organizations.
- Intermediate and final outcome indicators, their relationship to the international development goals of 2015, and the role of civil society in monitoring these outcomes.
- The integration of external finance and resource flows into the strategy.
- Capacity building and technical assistance requirements to support the strategy.

Unfortunately, not all HIPC countries have the necessary institutional and intellectual setup or the database to write their own poverty strategy framework at the present moment. In the short and medium-terms, very many HIPC countries in Africa are likely to rely on Fund guidance, making 'national ownership' of the program a real sham.

In the final analysis, the Cologne Initiative had done more to raise expectations beyond limits and the last chapter of the third World debt drama is yet to be written. There exists a great deal of skepticism about the willingness of western creditor countries, the multilateral development banks in particular, to break the chain of debt-bondage of the HIPC countries, not to mention the adequacy of funding for HIPC to wipe the slate clean. ***Conditionality and external control remain the core guiding principles of the Enhanced HIPC Initiative despite the claims of the architect of the plan that poverty eradication is the real objective of the Initiative.***¹⁰ Linking debt relief to successful implementation of ESAF is a major mistake and this is bound to delay much needed relief to countries desperately in need of fresh resources to fix broken down social systems.¹¹ Past experience shows that many African governments have failed to meet such conditionalities of adjustment and reform. In fact, in recent years, three out of four ESAF programs have broken down because their conditions were too tough to be fulfilled. These programs place too great a burden on people living in poverty.

⁹ International Development Association (IDA), **Heavily Indebted Poor Countries (HIPC) Initiative: Strengthening the Link Between Debt Relief and Poverty Reduction**, Confidential document, IDA/SecM99-55, (August 26, 1999), p.30

¹⁰ Karen Hansen-Kuhn and Steve Hellinger, "SAPs Link Sharpens Debt-Relief Debate", Third World Network (July 1999).

¹¹ EURODAD, "Towards A Comprehensive Solution to the Debt Problem", contribution toward the HIPC Review, Phase II (August 1999)

It is for these reasons that the Southern Jubilee 2000 movement continue to insist that debt relief be conditioned on the development and implementation of transparent mechanisms along the lines of Uganda's Poverty Action Fund which tries to ensure that resources freed up by debt relief go directly to poverty eradication and sustainable human development.¹² This process of debt cancellation needs to be monitored by NGOs and civil society, possibly in collaboration with parliaments. New borrowing and lending must also be monitored by civil society for its relevance to human, sustainable development.

Finally, debt relief, important as it is, will have left its own bitter legacy on future development financing for poor countries. At the moment, donors are replenishing both the HIPC and ESAF Trust Funds by redirecting current bilateral budget allocations instead of mobilizing new resources to fund the initiative.¹³ In the long run, important sources of development assistance are likely to be at risk. Aid budgets to poor countries, already at the lowest level in decades, may be reduced further due to 'crowding out' by the need to find resources to finance debt reduction. **Thus, to provide debt relief and then reduce other resources for development makes little sense.** Although it is still too early to pass judgement on HIPC, the initiative may turn out to be a sham if it fails to liberate poor countries from debt bondage, and help them to start the broad process of human development.

Section II

ZAMBIA: DEBT, HIV/AIDS AND THE YEAR OF LIVING DANGEROUSLY

Zambia belongs to the category of the HIPC countries wherein the debt burden has been a major contributor to the persistence of underdevelopment. It has taken a heavy toll on public budgets, severely shrunk the resources available for development and greatly reduced the prospects for growth. Even before HIV/AIDS became recognized as the greatest threat to human development in Zambia, the country's external debt regularly serviced at the expense of vital social programs has already destroyed many of the social gains made in the 1960s and 1970s.¹⁴ Thus finding lasting solutions to Zambia's debt can open up a strategic entry point to contain the threat of the HIV/AIDS epidemic to sustainable human development.

The total external debt of Zambia stood at \$6.5 billion in 1998. Of this, 46 percent is owed to the multilateral institutions, such as the IMF, the World Bank and the African Development Bank. Because multilateral debts are "preferred and exempt" debts, they cannot be rescheduled or cancelled and they take precedence over other debts. Debt service payments falling due in 1998 was \$123 million and was paid to creditors accordingly: \$89 million to multilateral and \$30 million to Paris Club Creditors. The

¹² See for example, the recent Lusaka Declaration, "Towards an African Consensus on Sustainable Solutions to the Debt Problem", endorsed by around fifty African NGO representatives. (May 19-21, 1999).

¹³ Kevin Morrison, "Don't Make Debt Relief a Burden", ODC VIEWPOINT, (September 1999).

¹⁴ Peter Henriot, "How is AIDS Related to Debt Burden?", Times of Zambia, November 2, 1999

\$132 million in debt service payment was about 69% of the funds budgeted for the social sectors. Yet no nation can develop without educated and healthy citizens, no matter how faithfully it may meet debt-servicing requirements.¹⁵

Zambia's current debt crisis originates from the mid-1970s when the country experienced a fall in copper prices. The two rounds of oil price hikes in the late 1970s further compounded Zambia's economic difficulties and the balance of payment position continued to worsen. From the mid-1980s onwards, the government relied more and more on external borrowing to finance needed imports, further contributing for the debt pyramid to grow.¹⁶ The total external debt stood at \$3.7 billion in 1992, \$4.2 billion in 1994 and \$6.4 billion in 1997. The increase in the debt stock over the period is largely on account of increased borrowing from the multilateral soft window. As a result, the share of multilateral debt rose from 39 percent in 1992 to 52 percent in 1997. Of the total exposure to multilateral creditors, debt owed to the World Bank group accounted for 43.8 percent while IMF debt accounted for 36.4 percent.

Table 1: Social Sector Expenditure and debt servicing, 1991-96
(US\$ million)

Year	Education	Health	All Social sectors	Debt Servicing
1991	107.8	73.6	192.5	565.0
1992	78.6	46.8	137.1	275.8
1993	72.0	44.7	145.3	315.9
1994	76.0	74.1	176.7	324.4
1995	91.6	72.4	191.8	348.7
1996	88.4	67.7	176.1	256.4
As % of GDP, 1993-96	2.5	2.0	5.3	10.3

SOURCE: M.J. Kelley, *Primary Education in a Heavily Indebted Poor Country: The Case of Zambia in the 1990s*, Oxfam and UNICEF, Lusaka

Total debt service paid increased to \$349 million in 1995 from \$276 million in 1992, then dropped to \$256 million in 1996 and \$233 million in 1997. Projected debt service for 1998-2002 indicates that Zambia will require \$291 million in 1998, \$350 million in 1999 and \$392 million in the year 200. In 2001, scheduled debt service will grow by over 58

¹⁵ "Breaking the Back of HIV/AIDS in Zambia: Scaling Up and Expanded Response Through A Multi-Donor Debt for Development Arrangement", Paper by Honorable Dr. Ktele Kalumba, Minister of Finance and Economic Development, Government of the Republic of Zambia, The XIth International Conference on AIDS and STDS in Africa (September 12-16, 1999: Lusaka, Zambia).

¹⁶ Republic of Zambia, *Economic Growth with Equity: Policies of the Government of the Republic of Zambia*, Report Presented to the Consultative Group Meeting for Zambia (Paris: May 26-28, 1999); Fantu Cheru, *The Silent Revolution in Africa: Debt, Development and Democracy*, Zed Books, London: 1989 (Zambia Chapter)

percent to \$621 million. This indebtedness is crushing all possibilities for human development by diverting resources from investment in education and health care. The subordinate treatment that the social services have been receiving vis-à-vis debt servicing is well exemplified in Table 1, above.

The Government has pursued a policy of debt forgiveness and rescheduling in order to reduce the debt burden. During the period 1992 to 1997, various creditors extended debt relief amounting to a total of \$1.873 billion, of which \$1.440 billion was provided by the Paris Club creditors and the balance by both Non-Paris Club and Commercial creditors. The Multilateral creditors have offered no debt relief. It is possible now that Zambia can qualify for debt relief under the enhanced HIPC initiatives if the government successfully fulfills numerous macroeconomic and governance conditionalities that creditor countries are demanding. At the earliest, it would be three years from now that the government hopes to get real debt relief. But this is not good news to celebrate about when one considers the cataclysmic impact that HIV/AIDS is having on the population of Zambia and on the future development prospects of the country in general.

A 'Silent Emergency in Progress': The Human and Economic Consequences of HIV/AIDS in Africa

The HIV/AIDS epidemic, besides being the most important public health problem, has become the greatest threat to Africa's development. Past achievements in economic growth, improved life expectancy and decreasing child mortality have been quickly reversed by the speed in which the HIV virus has spread.¹⁷ While we have refrained from labeling the unfolding humanitarian crisis as "genocide by omission", we are prepared to point out that irresponsible neglect by national governments and the international community to respond expeditiously to the crisis in Africa is partially to blame for the spread of the virus with its deadly consequences. Failure to contain the epidemic is having a major impact on economic development prospects of Africa. Many countries with high HIV prevalence rate are losing their best and brightest workers—teachers, accountants, farmers and businessmen.

In Sub-Saharan Africa, there are 23.2 million people living with HIV—two thirds of the world's total. Women account for 55 percent of HIV-positive adults and that mother-to-child transmission continues to be the leading cause of infection among young children.¹⁸ In 1998 alone, 5.6 million people were infected with the HIV virus world wide, and 4 million of those were Africans. In addition, more than 8 million children have lost their mother or both parents to AIDS. Of the 14 million people who died of AIDS world wide since the epidemic began, 12 million were from Africa. Each day in Africa, more than 5000 people with AIDS die, and epidemiologists expect that figure to climb to almost 13,000 by 2005. **By that time, more people in sub-Saharan Africa would have died from AIDS than both world wars combined or from the bubonic plague, which**

¹⁷ World Bank, *Intensifying Action Against HIV/AIDS in Africa: Responding to a Development Crisis*, (Washington, D.C: 2000), pp.6-9

¹⁸ UNAIDS/WHO, *AIDS Epidemic Update, November 1999*, (Geneva: 1999).

killed 20n million people in 14th-centruy Europe.¹⁹ In 1999 alone, 2.6 million people died of HIV/AIDS, the most of any year since the epidemic began, and 2 million of those who died were Africans. As UNICEF Executive Director, Ms. Carol Bellamy put it, "HIV/AIDS epidemic is the most terrible undeclared war in the world, with the whole of Sub-Saharan Africa a killing field".²⁰

Of all the regions in Africa, Southern Africa has particularly been ravaged by a particular strand of HIV/AIDS that is killing more people and much rapidly than any other region in the continent. Estimates of percentage of adults (15-49year old) infected with HIV range between 16-32 percent in the sub-region. Of the 9.6 million people who died in Sub-Saharan Africa since the beginning of the epidemic, 9.2 million were from Eastern and Southern Africa. According to UNICEF, AIDS will orphan 11 million children in 12 Eastern and Southern African countries by 2010.²¹

Table 2: HIV and AIDS ESTIMATES, GLOBAL AND SUB-SAHARAN AFRICA

	Infected people in (millions)	Infected in 1999 (millions)	% of adults infected	% of infected who are women
Sub-Saharan Africa	23.30	3.800	8.00	55
Caribbean	0.36	0.057	1.96	35
South/South-East Asia	6.00	1.300	0.69	30
Latin America	1.30	0.150	0.57	20
Western Europe/North America	1.44	0.074	0.39	20
Eastern Europe/C.Asia	0.36	0.095	0.14	20
North Africa/M.East	0.22	0.019	0.13	20
East Asia/Pacific	0.53	0.120	0.07	15

SOURCE: UNAIDS/WHO, AIDS Epidemic Update: 1999.

In Zambia, in 1997, the estimated adult prevalence was about 20%. It means that one out of five people aged 15-49 is HIV positive. It is estimated that by 1999, cumulative number of AIDS deaths since the beginning of the epidemic in Zambia will be nearly a

¹⁹ John Jeter, "AIDS Sickening African Economies", *Washington Post* (December 12, 1999),p.A1/A44

²⁰ Brief on the 11th International Conference on AIDS and STDs in Africa (ICASA): 12-16 September 1999, p.2

²¹ UNICEF/Zambia, *HIV/AIDS in Eastern and Southern Africa: The Silent Emergency*, presentation to the XI International Conference of AIDS and STD, by Mr. Peter McDermott, UNICEF Country Representative for Zambia.

million. The annual number of deaths among adults aged 15-49, which has been increasing slowly, will reach 70,000 and 127,000 per annum by 2000 and 2005 respectively, or nearly 350 per day by 2005.²²

It is only recently that many donor governments and institutions have begun to recognize the impact of the epidemic on Africa's future development and have started to provide funding to support national efforts. In a letter dated March 16, 1999, US Secretary of State Madeline Albright stated, "The growing prevalence of HIV/AIDS, and its actual and potential deadly impacts, require us to revise our thinking about political and economic security. As deadly as any missile, as devastating as any financial collapse, the HIV/AIDS pandemic is the enemy of stability and productivity worldwide."²³ And during the WTO meeting in Seattle, President Clinton announced that the US would adopt a liberal and flexible intellectual property rights policy to respond to legitimate public health crisis such as HIV/AIDS. At the World Bank, the biggest lender to Africa, a whole unit called ACTAfrica has been established to ensure the mainstreaming of HIV/AIDS into Bank-funded projects in Africa. Had this level of awareness existed in the early 1970s when the epidemic started, donors would have made a big difference both in the way national governments respond to the crisis as well as in the development and testing of preventive measures.

Needless to say, more awareness of the HIV/AIDS crisis in Africa has yet to translate into more compassion from donors and creditor institutions. The HIPC Initiative could be one important source of funding for HIV/AIDS prevention programs in heavily indebted poor countries. Unfortunately, the initiative is tangled up in a web of macroeconomic conditionalities, which is likely to delay badly needed debt relief. While creditor governments haggle over the scale of debt reductions that should be granted to poor countries, many of the gains of the 1960s and 1970s in Africa are being wiped out by the HIV/AIDS pandemic at a break-neck pace. By the time IMF and World Bank technocrats have managed to guide many African HIPC countries from 'decision point' to 'completion point' in the abstract and complicated HIPC process, millions of Africans would have died from HIV/AIDS and millions more would have been infected or have become orphans. This is unethical and unacceptable. Loss of life of this magnitude to a virus of any kind in Western Europe or North America would have brought a different reaction from an international community. If it had not been for a few courageous institutions such as UNICEF, UNAIDS WHO and NGOs that have kept the issue alive, the silent emergency of HIV/AIDS in Africa would have disappeared from the front pages of the Western media.

HIV/AIDS as a development crisis

²² Ministry of Health, *HIV/AIDS in Zambia: Background, Projections, Impacts and Interventions*, Central Board of Health (Lusaka: 1997)

²³ Secretary of State Madeline Albright, letter dated March 16, 1999, available at www.state.gov/www/global

Zambia has one of the worst HIV/AIDS epidemics in the world. It is estimated that 20 percent of the adult population between ages 15-49 years is currently HIV positive. This means that one in five of those Zambians now over the age of 15 will probably die at a young age from this disease, mostly over the next 3-10 years.²⁴ It has been estimated that some 500 new infections occur each day. An even higher percentage of Zambians are suffering from HIV/AIDS-related "opportunistic" diseases such as tuberculosis.²⁵ With high casualty rate especially among the most economically productive segments of the population and rising incidence of orphanage – estimated at 1 million by the year 2000 – the disease is impacting very adversely on the Zambian society.

The opportunity cost of HIV/AIDS on Zambia's development prospect is enormous. This is particularly troubling since nearly 70 percent of the households in the country already live below the poverty line.²⁶ Widespread poverty creates situations of vulnerability to infections – women may have little choice but to enter into sexual relationships where there are no economic opportunities. Lack of education and low literacy rates make information less accessible. Once HIV becomes established, all these problems are intensified as sickness reduces the capacity of adults to work or to cultivate what land they have. As household poverty deepened, girls are taken out of school, women are forced into prostitution, and children are orphaned, reducing further their chances for education.²⁷

- **Impact on employment and productivity:** With rising adult mortality from AIDS, a people with essential skills account for a significant percentage of HIV/AIDS-related death. Teachers, accountants, civil servants, and other professionals are dying in large numbers. As a result, labor productivity diminishes and HIV/AIDS is now a central concern of firms since the cost of labor increases as productivity declines due to higher morbidity and increased absenteeism. One review of 33 businesses in Zambia showed a dramatic increase in average annual mortality from 0.25 percent in 1987 to 1.6% by 1992.²⁸ Barclays' Bank of Zambia has lost more than a quarter of its senior managers to AIDS. On a large sugar estate, 755 of the deaths between 1992 and 1993 were HIV related.²⁹ Part of the reason for increased absenteeism is the time employees spend on funerals. Additional training costs will be incurred as labor turnover increases. In addition, businesses have to pay out more in medical care, salary compensation for deceased families and funeral grants.

²⁴ Ministry of Health, *HIV/AIDS in Zambia: Background, Projections, Impacts and Interventions*, Central Board of Health (Lusaka: 1997).

²⁵ UNAIDS, *Tuberculosis and AIDS*, (Geneva: 1997)

²⁶ Government of Zambia, *National Poverty Strategy Paper*, (1997)

²⁷ Lucas, S. (1999), "Valuing Life: Choices and Treatments for People with HIV in Africa", processes.

²⁸ Baggeley, R., P. Godfrey-Fausset & R. Msiska, "Impact of HIV on Zambian Business", *British Medical Journal*, Vol.309 (1994), pp.1549-50

²⁹ Halswimmer, M. (1994), *The Social and Economic Impact of HIV/AIDS on Nakambala Sugar Estate*.

- **Food security is being undermined:** HIV/AIDS is also having a disastrous impact on the productivity of the agricultural sector.³⁰ Productivity is affected by many factors: absenteeism from the farm due to sickness; shortage in the supply of labor; the loss of agricultural knowledge and management skills. In addition, families are forced to sell livestock and other essential assets to cover the cost of caring for the sick, further exposing themselves to poverty, and eventually, they are forced to migrate to the cities in search of livelihood.
- **Health services are over-stretched:** The enormous health cost and burden of HIV/AIDS on the entire health care system of Zambia has been enormous. HIV/AIDS is already absorbing a large share of hospital resources and a substantial share of health sector budgets and human resources. Since most households and communities are living in poverty, there are few options whereby the burden of care can be shifted from the public health services to households and communities.³¹
- **Impact on Education:** The impact of HIV/AIDS on the education sector is particularly worrying. The epidemic is having tremendous impact on both students and teachers. High mortality rates as a result of HIV/AIDS will have reduced the primary school age cohorts significantly. Projects are that the population age 15 and below will reach 5.4 million in 2010, instead of 6.8 million it might have attained if the incidence of AIDS had been less widespread.³² Even before the spread of HIV/AIDS, school participation rates has begun to decline due to poverty even though the number of school-aged children was increasing. And as more and more children become orphans due to loss of both parents for HIV/AIDS, schooling takes a back seat since there is no one to pay school fees and meet their daily subsistence requirements. In short, there will be fewer children to educate in the future if the epidemic continues unchecked.³³
- The educational system is dealt a blow by a high level of mortality among teachers due to HIV infections. It is estimated that more than 30 percent of teachers in Zambia are already infected with the HIV virus.³⁴ Ministry of Education data show that 680 teachers died in 1996, 624 in 1997, and 1,300 in the first ten months of 1998. This means that the number of teacher deaths rose from less than two per day in 1996 to more than four per day in 1998. For the education system, the 1998 deaths were

³⁰ Drinkwater, M., "The Effects of HIV/AIDS on Agricultural Production Systems in Zambia: An analysis and Field Reports of Case Studies carried out in Mpongwe, Ndola Rural Districts and Tate, Serenje District, Lusaka (1993).

³¹ World Bank, *Intensifying Action Against HIV/AIDS in Africa*, (Washington, D.C: 2000), p.10; Miriam Malawi, "HIV/AIDS and Human Rights", UNDP Workshop on Human Rights and Development for the Southern and Eastern Africa Region, (9-11 November 1999: Windhoek, Namibia).

³² Hunter, S. & Fall, D, *Orphans and HIV/AIDS in Zambia: An Assessment of Orphans in the Context of Children Affected by HIV/AIDS*, Report to UNICEF, Lusaka (1998).

³³ M.J. Kelly, *The Impact of HIV/AIDS on Schooling in Zambia*, Paper presented at the XI International Conference on AIDS and STD in Africa (ICASA), September 12, 1999 (Lusaka: Zambia).

³⁴ World Bank, *Intensifying Action Against HIV/AIDS in Africa*, Africa Division, World Bank (Washington: 2000), p.11

equivalent to the loss of about two-thirds of the annual output of the newly trained teachers from all training institutions combined.³⁵

- **A decline in Life Expectancy:** HIV/AIDS is dramatically decreasing life expectancy. In the case of Zambia, life expectancy, which stood at 54 years a few years ago, has plummeted to 37 and is expected to decline in the coming decade to 30 years. In nine countries in Africa with an adult prevalence of 10% or more (Botswana, Kenya, Malawi, Mozambique, Namibia, Rwanda, South Africa, Zambia and Zimbabwe), life expectancy in the first two decades of the next century is projected to decrease to 47 years instead of rising to 64 years.³⁶ Because the epidemic is concentrated in young people and adults at the peak of their economic and social productivity, it threatens development. This represents a reversal of most development gains of the past 30 years.³⁷ Declining life expectancy is further aggravated by rising child mortality rates and in so doing reversing gains in child survival. According to UNAIDS, 25 percent more infants are already dying in Zambia and Zimbabwe than would have been the case without HIV.
- **A growing Orphan problem:** In the wake of the epidemic is the growth in the number of AIDS orphans. It is estimated that in the year 2000, orphans would number 1.66 million, of whom some 750,000 would be maternal and double orphans and 910,000 would be paternal orphans.³⁸ This would constitute about 34.3 percent of the total number of children under the age of fifteen years (UNICEF, 1998).

As described above, the overall effect of HIV/AIDS on Zambia's development prospect is significant and the cost of delaying an intensified response is monumental. It is estimated that given the direct costs of medical treatment and worker attrition, the costs associated with AIDS without any increased foreign resources, GDP would fall by about 9 percent below projected levels. If the additional costs are met by foreign resources, the GDP would fall by about 5 percent (Forgey & Mwanza, 1994). Without unprecedented infusion of foreign aid as soon as possible, national income could be reduced by as much as 10 percent. It is because of the evolving humanitarian crisis in Zambia (and Africa as a whole) that we call upon the multilateral institutions to immediately cancel Zambia's debt and provide fresh resources so that the crisis could be contained quickly and that real development resume on sound footing. The need to strengthen care, treatment, and social support should therefore become a high priority.

HIV/AIDS and the Politics of Indifference:

³⁵ **Zambian Ministry of Health, HIV/AIDS in Zambia: Background, Projections, Impacts, and Interventions.** Central Board of Health, Ministry of Health (Lusaka: 1997).

³⁶ **World Bank, Intensifying Action Against HIV/AIDS in Africa: Responding to a Development Crisis,** Washington, D.C: (2000), p.7

³⁷ **UNAIDS, AIDS Epidemic Update,** (Geneva: December 1998)

³⁸ **Hunter, S. & Williamson, J. Children on the Brink: Strategies to Support Children Isolated by HIV/AIDS.** USAID, Washington, D.C: (1997).

The unprecedented scale of HIV/AIDS-related death and the breakdown of family and social network systems in Africa have yet to mobilize the international community into action. What explains the **gross indifference** by the international community to the widening humanitarian crisis of HIV/AIDS in Africa? Why have so many African leaders kept "silent" when their citizens are being decimated by the epidemic on a daily basis?

The reaction of Western governments to the HIV/AIDS crisis in Africa amounts to callous indifference when compared to recent Western response to the most widely televised and strategically important trouble spots—Turkish earthquakes, Balkan wars and Middle East peace agreements. In Kosovo, because of the presence of CNN camera, the response of the international community has been swift and often with large sums of resources. In Africa, on the other hand, the silence emergency of HIV/AIDS takes its toll on a daily basis in remote villages and the narrow streets of over-crowded shanty towns far away from the nearest CNN camera. Continued warning about the impending crisis by WHO and UNAIDS have fallen on deaf ears.

The lack of urgent action from the international community to the HIV/AIDS epidemic in Africa must be viewed in the larger context of "donor fatigue" and "Afro-pessimism" which prevailed in recent years. Since the end of the Cold War, overall donor assistance to Africa has been shrinking. Many UN agencies working in Africa, such as the United Nations High Commission for Refugees (UNCHR) have repeatedly pointed to the **unequal treatment of Africa by the donor community**. For example, in 1999, donors provided less than three-fifths of the \$800 million the United Nations requested for emergencies in sub-Saharan Africa. Similarly, the World Food Programme announced in September that it would curtail its feeding program for nearly 2 million refugees in Sierra Leone, Liberia and Guinea after receiving less than 20 percent of requested funding. An emergency appeal during the summer to feed and shelter at least 600,000 Angolans who had been displaced in that country's long-standing civil war—a number nearly equal to Kosovo's refugees of last spring—brought minimal initial response and predictions of mass starvation. In the Great Lakes region of Congo, Burundi and Rwanda, the United Nations estimated it would need \$278 million to take care of nearly 4 million people crowded in refugee camps. By late October, only 45 percent of that amount had been donated.

By contrast, Kosovo and Bosnia have been able to generate one of the biggest international responses in recent memory. The reason for the differing response by the international community is simple: Kosovo and Bosnia were 'loud emergencies' unfolding in front of television cameras and affecting largely people of European descent; the HIV/AIDS epidemic in Africa is a 'silent emergency' affecting largely poor black Africans, who in the eyes of the western media, are constantly portrayed as being in a state of permanent crisis. Therefore, with declining ODA and shifting priorities, the capacity of African governments—already burdened with huge debts—have been hampered to combat hunger, homelessness and disease.

Complicating further the fight against HIV/AIDS in Africa has been the cold-blooded abandonment of millions of poor Africans by their own governments. Outside of South

Africa, Uganda and Senegal, where enlightened political leaders have taken a proactive role to mobilize the population against the spread of HIV/AIDS, many African leaders have become obstacles to any concerted effort by donors, NGOs and civil society groups to mount major campaigns to contain the spread of the epidemic.³⁹ Many of these corrupt leaders care more about their Swiss bank accounts than about the survival of their own people. Instead of compassion, these leaders regard the victims of HIV/AIDS as useless citizens whom they don't have to educate or feed anymore. **These African governments, who fail to respond properly to the AIDS crisis in their countries, should be held responsible for violations of human rights.**

HIV/AIDS and the cruel Irony of the Market: How WTO's TRIP regime costs lives

Even if the African countries were to get significant amount of debt relief and an infusion of fresh resources to combat the epidemic, the right to health is being jeopardized by the Trade Related Intellectual Property Rights (TRIPS) regime of the WTO which prevents African governments from acquiring or producing affordable drugs to help the 22 million Africans infected with the HIV virus. These countries simply do not have access to medical advances that stalled the AIDS epidemic in the West. There is a disconnect between the drug-price structure and the real needs of the majority of poor people in developing countries. Countries either have to purchase the drug at market prices, which is far beyond their means, or risk trade sanctions by the United States for buying or developing generic drugs at lower prices. (Washington Post, December 4, 1999).

Developing countries are beginning to realize now the public health consequences of joining the World Trade organization, which many have done in the 1990s. Before joining the WTO, they could avoid the high retail prices charged by pharmaceutical companies. But in joining the WTO, a country agrees to honor foreign patents and acknowledges it would face sanctions for dealing in generics produced before a patent expires. The TRIPS agreement requires every country to pay full retail price. However, to countries facing a health emergency, the agreement releases countries from any obligation, allowing the country to produce the drug itself provided it paid a negotiated royalty to the patent holder.

The threat by the United States to punish countries that violate the TRIPS regime have worked but to the detriment of millions of Africans infected by the HIV-virus. For example, last year when South Africa, where one in 10 people is HIV positive, passed a law permitting the government to make drugs it deemed too expensive, the US government placed South Africa on the "301 watch list", which is seen as a prelude to trade sanctions. Similarly, Thailand dropped plans to produce the anti-AIDS drug ddI after U.S. officials threatened sanctions on key Thai exports. On September 17, 1999, however, South Africa was taken off the watch list after officials from both sides met and discuss the matter and reached an agreement.

³⁹ Peter Mwaura, "Pioneers in the control of HIV/AIDS: Uganda and Senegal show that infection rates can be reduced", *Africa Recovery*, Vol.12, No.4 (April 1999), pp.8-9

Until the time of the WTO meeting in Seattle, Clinton administration officials, in defense of the policy, have emphasized the importance of protecting patent rights in a pharmaceutical industry that invests heavily in research. In so doing, US trade policy has placed the profits of greedy drug companies above public health by threatening poor countries from manufacturing the drugs themselves despite international laws that permit countries to do so when facing a public health emergency. This is of course a structural problem that must be handled outside the purview of the discussion on debt relief.

In a reversal of past policy, President Clinton announced during the WTO meeting that the United States would take a liberal stand with regard to intellectual property right as it relates to public health issues. In his address to the WTO, the President Stated, "Today is World AIDS day. And today, our trade representative, and the department of Health and Human Services are announcing that they are committed to working together to make sure that our intellectual property policy is flexible enough to respond to legitimate public health issues. Intellectual property protections are very important to a modern economy, but when HIV and AIDS epidemics are involved, and like serious health crises, the United States will henceforth implement its health and trade policies in a manner that ensures that people in the poorest countries won't have to go without medicine they so desperately need."⁴⁰ This is welcome news although we must wait and see how the Presidents directives are actually being implemented. It is possible that whoever becomes the next president of the United States can easily reverse the current position of the administration.

Linking Debt Relief to Combat the HIV/AIDS Epidemic in Africa: The Case of Zambia

It must be clear from the above analysis that the HIV/AIDS in Africa is the most serious threat to human development, depleting most educated, energetic and productive segment of African society thus draining human capital development. Further more, the crisis exerts undue pressure on limited infrastructure, resources and impacts negatively on productivity thereby affecting overall economic growth. This is particularly true, not only for Zambia, but also for many other African countries that are saddled with huge unpayable debt. The servicing of this debt is diverting scarce resources away from vital social services, and constraining the capacity of government to respond to the HIV/AIDS crisis in a constructive way.

In spite of the vibrant potential of NGOs and church groups response, and the serious attempt these groups have made to do as much as possible in this area, most civil society sector HIV/AIDS prevention and management interventions have been limited primarily by scarcity of funding. Similarly, HIV/AIDS response in the public sector also, has been constrained by a lack of financial resources. This has been due, in large part, to a combination of factors: the poor macroeconomic situation in Zambia combined with the need to service the national debt. Debt servicing has, on average, been absorbing nearly a third of the country's export earnings. In 1998, for example, Zambia paid \$125 million in

⁴⁰ President's address to WTO in Seattle, (www.whitehouse.gov/WH/News/W).

debt service payment to Paris Club creditors and the multilateral institutions. This amount represented a significant portion of overall government expenditure, equal to 69% of the amount budgeted for all social sectors combined that same year. As a result, the ability of public sector institutions to effectively implement HIV/AIDS prevention and control activities has been significantly hampered.

The Government of Zambia, working with several local NGOs and church organizations, has proposed a multi-donor debt relief programme to accelerate the national response to HIV/AIDS. Under this proposal, scarce national funds which now go to service the debt would be set aside for investment into activities that will control the spread of HIV/AIDS. The funds would then be used by both civil sector groups and public social sector institutions to implement activities nationwide, which would be designed to prevent HIV/AIDS, manage existing cases, and address the growing orphans crisis. The combined civil and public sector response would be part of the overall National HIV/AIDS Strategy developed by the multi-sectoral HIV/AIDS Council and Secretariat. The estimated amount required for channeling into HIV/AIDS prevention and impact mitigation programs, as a result of debt relief, is \$89 million over a five-year period.⁴¹ This averages to be nearly \$18 million per year to cover all programs in both public sector and civil society—a small change when compared with the \$2.5 billion spent in Kosovo by NATO during the first month of the air war. An independent non-government body will manage the fund, and it will be governed by a Debt Relief Steering Committee composed of representatives from the NGOs, government, and the donor community. This will ensure financial and programmatic accountability.

Zambia's progress toward qualification for debt relief under the Enhanced HIPC initiative hinges largely on the government's capacity to show real and tangible progress on the promise it made during the last consultative group meeting to institute fundamental governance reform. While we are in full agreement with the donors concern regarding this issue, we are equally concerned that the resources that are needed to tackle the HIV/AIDS epidemic might be held up indefinitely if progress in governance reform falters. As a consequence, the excellent work that the NGOs have done so far to prevent the spread of HIV/AIDS in Zambia with meager resources will be completely wiped out.

As independent experts, we found the **Zambian Debt Relief-for-HIV/** proposal to be extremely innovative and deserve immediate donor support. **Given the magnitude of the HIV/AIDS epidemic in Zambia, “health emergency” criteria instead of ESAF macroeconomic conditions should be used to grant debt relief to Zambia.** It must be clear to the donor community and to the IFIs **that HIV/AIDS cannot wait until national budgets are balanced and the inflation rate is brought down to reasonable levels.** Action is needed now, and not three years down the road by which time millions more Africans would have been infected or died of the HIV virus. That would be a great humanitarian tragedy for which the international community would ultimately be held responsible.

⁴¹ Government of Zambia, **Zambian Proposal to Accelerate the National Response to HIV/AIDS through a Multi-Donor Debt Relief Programme**, draft proposal as of 16th September 1999.

Section III

Honduras and Nicaragua: Debt, Hurricane Mitch and the Burden of Reconstruction

The devastating effects of Hurricane Mitch, which hit Honduras and Nicaragua with heavy rains from October 25 to November 1, resulted in the largest natural disaster both countries experienced in recent memory. Both countries sustained heavy losses of human lives and much of their infrastructure and productive economic base have been destroyed, casting more doubts about the future prospect of these countries to address structural poverty and underdevelopment. In the case of Nicaragua, the loss of life and destruction caused by Mitch overshadow the devastation caused by the 1972 earthquake that leveled the capital, Managua.

Both countries, already saddled with huge external debts, will not be able to address the challenge of reconstruction and transformation of their respective economies without a large infusion of external assistance on concessional basis. The need for complete write off their huge external debt should be the starting point of any meaningful donor assistance to both countries. Unfortunately, because of the linkage of HIPC to ESAF conditionalities, the speed at which both countries will receive debt relief hinges upon how successfully they can implement the current ESAF. This is a major concern for both governments and human rights organizations who argue that ESAF should not be used as the sole gatekeeper to determine debt relief given the economic and social damage left behind by Hurricane Mitch.

NICARAGUA: indebtedness and the legacy of Hurricane Mitch

Nicaragua is the second poorest country in the Latin America and Caribbean region, with income per capita of \$470 in 1997, over half of its population in poverty, one fifth in extreme poverty and weak social indicators. Nearly half the economically active population is either unemployed or underemployed in informal economic activities. Unemployment has been exacerbated in the 1990s by lay-offs owing to public spending cuts and the privatization of state enterprises, as well as by the demobilization of the Contras and government soldiers.

Following a period of stagnation in the early 1990s, Nicaragua's economy had been growing at a steady pace since 1994 and was heading toward a GDP growth rate of around 6 percent in 1998 (IMF & Gove't of Nicaragua). The economy has been transformed from a centralized, publicly managed to a private sector-owned economy through the divestiture of around 350 state-owned enterprises since 1991 and cuts in public expenditure, especially in defence and public security.⁴² Trade liberalization has been a cornerstone of economic policy in the 1990s, as a means both to increase foreign currency earnings to service the large debt burden and to attract investment in industry. The rapid economic recovery was accompanied by a resurgence of private sector confidence, reflected in a more than doubling of private investment from 7 percent of

⁴² Economic Intelligent Unit, *Nicaragua: country Profile, 1998-99*,

GDP in 1994 to an estimated 18 percent in 1997. Unemployment had declined from over 20 percent in 1994 to less than 14 percent in 1997, largely due to new jobs created in the expanding sectors such as *maquila*.

Nicaragua owes \$6.3 billion to creditor countries and institutions, almost three times the size of its GDP. Of this, \$1.8 billion is owed to multilateral institutions; \$4.2 billion to bilateral; and only \$244 million to commercial banks. The bilateral debt is largely composed of concessional loans and export credits. In 1998, debt service payment was equivalent to 56.4% of export earnings. The \$6.3 billion debt in 1998 represents a substantial improvement compared with a peak of \$12.1 billion in 1994, before former President Violeta Barrios De Chamorro (1990-96) secured massive bilateral debt reductions. In addition, Nicaragua retired \$1.4 billion of its commercial debt, paying 8 cents on the dollar—a total of \$112 million. The next breakthrough, announced in April 1996 and closed in September, was forgiveness of 95% of the \$3.5 billion debt owing to Russia. This was followed by a decision by Mexico to write off 91% of the \$1.1 billion owed to it.⁴³ Nevertheless, debt per capita was still as high as \$1,314 last year, compared with GDP per capita of only \$445 dollars.⁴⁴

Until October 1998 when Hurricane Mitch hit the country, the macroeconomic and structural reform program had been on track so that the decision point under the HIPC was tentatively envisioned for late 1999. Sadly, the country's fortune changed dramatically when Hurricane Mitch hit with devastating force in late October 1998. The hard won economic gains evaporated overnight as infrastructure and its basic export base, particularly bananas and sugar, were extensively damaged.

Table 3: NICARAGUA: External Debt written off since 1990
(Millions of Dollars)

Year	Creditors	Debt outstanding	Debt written off	Debt relief as % of total debt
1990	Venezuela	208.1	196.4	94.4
	Colombia	47.1	44.1	93.6
1993	Argentina	76.1	66.3	87.1
	Cuba	101.6	94.6	93.1
1994	China-Taiwan	22.8	17.1	75.0
1995	Banca Commercial	1,098.7	1,010.7	92.0
1996	Mexico	1,156.6	1,065.7	92.1
	Russia	3,444.3	3,099.9	90.0

⁴³ Economic Intelligent Unit, *Nicaragua: Country Profile, 1998-99*

⁴⁴ Grupo Propositivo de Cabildeo e Incidencia (GPC), *LA DEUDA EXTERNA DE NICARAGUA Y LA INICIATIVA HIPC FLEXIBILIZADA: OPORTUNIDAD PARA ABRIR UNA VENTANA AL DESARROLLO HUMANO CON LA PARTICIPACION DE LA SOCIEDAD CIVIL*, (Managua: July 1999),

1997	Chec Republic	140.5	126.4	90.0
	El Salvador	40.4	35.3	87.4
	Honduras	117.2	100.6	85.8
	Central American Bank (BCIEP)	566.7	103.7	18.3
Total		7,020.1	5,960.8	84.9

Source: Central Bank of Nicaragua

The effects of Hurricane Mitch:

The effects of Hurricane Mitch were localized mostly in western and northwestern sections of the country (affecting nearly 50 percent of the country and therefore not as widespread as in neighboring Honduras. In all as a result of the calamity estimated 4,000 Nicaraguans are believed to be dead and about one million persons—about 20 percent of the population—lost their homes. More than 1,500 kilometers of paved roads and highways, about 12,000 kilometers of unpaved roads and 80 bridges suffered damages. About 350 schools were damaged and 280 schools are being used as shelters. Important sections of the Pan American Highway—the main commercial route to other Central American countries—were damaged or destroyed. Preliminary estimates of damage and replacement costs prepared by UNDP and ECLAC suggests total direct and indirect damage of \$900 million, equivalent to 45 percent of Nicaragua's 1997 GDP. The costs of replacing the damage to infrastructure and the productive sectors would amount to \$1.2 billion. Addressing these new reconstruction and rehabilitation needs will place an additional burden on the Government as it tries to address the country's existing infrastructure constraints.

In the aftermath of Hurricane Mitch, Paris Club bilateral creditors agreed to waive debt service payments for two years from January 1999 onwards. Debts owed to the multilateral development banks is being serviced from the **Central American Trust Fund** established by bilateral donors during the Consultative Group meeting for Central America held in Stockholm in May 1999. With regard to debt reduction under the HIPC initiative, it will all depend on how far the Aleman government succeeds in implementing the three-year Enhanced Structural Adjustment Facility Program signed in March 1998. The 'decision point', at which eligibility for HIPC relief is decided on the basis of ESAF reform progress, was expected at the end 1999, but was reached in October after an IMF mission completed its annual Article IV consultation with Nicaragua.

The likelihood that Nicaragua would reach the 'completion point' is difficult to determine at this point given the scope and complexity of ESAF reforms, the capacity of the government to implement all the reform requirements on a timely basis, and the legacy of the hurricane on overall productivity of the economy due to transport bottleneck and the

loss of vital earnings from exports. Further more, there are many sectoral areas within the current ESAF, such as privatization, property rights and judicial reform, which the government has not been able to implement quickly and it may require longer time to complete. ⁴⁵If that happens, the much needed debt relief is going to be delayed, further hampering the reconstruction effort.

Nevertheless, Nicaragua may continue to benefit from relief on debt service payments in the interim between the decision and completion points. This would particularly help Nicaragua once post-Mitch Paris Club relief on debt service runs out in early 2001. Otherwise, foreign debt service payments are forecast to rise from \$155 million in 2000 to \$230 million (some 28% of tax revenue) in 2001. **Therefore, given the special circumstances of Nicaragua, the Fund and the Bank should not use HIPC macroeconomic conditionalities as the sole criteria to determine its eligibility for debt relief.** In addition to debt relief alone is not going to change Nicaragua's current economic situation overnight. The country is going to need significant infusion of external resources to tackle structural poverty and to make the leap into a new dynamic and knowledge-based economy.

HONDURAS:

Honduras is the third poorest country in Central America with income per capita of \$700 in 1997. Over half of its population lives in poverty, one third in extreme poverty. Its economy is one of the least developed in Latin America and the country is heavily dependent on the export of coffee and bananas. Successive governments have tried to diversify the economy with very little success and economic reform has generally been inconsistent.

The authorities have traditionally relied on external borrowing to finance development, particularly from the US and the multilateral development banks. The frequency of borrowing has increased since the 1990s in response to declining grant support from the US in the wake of the end of the guerrilla wars in El Salvador and Nicaragua. Honduras had received economic and military aid from the US in return for turning a blind eye to the Contra's presence in eastern Honduras. Thus, in 1996 the government issues a decree whereby any new debt commitments had to include a 35% share on concessional terms. ⁴⁶

Honduras owes \$4.4 billion in 1998, representing an estimated 93% of GDP and \$725 per head. At the end of 1998, 62% of Honduras's debt was held by multilateral creditors—mainly the World Bank, the IDB and the Banco Centroamericano de Integracion Economica (BCIE), 37% by bilateral creditors (Japan, Spain, Italy and Germany) and the remaining 7.2% by private creditors. ⁴⁷ Since 1994, on the average, Honduras has been

⁴⁵ IMF Mission, "Performance criterion under the 2nd annual ESAF arrangement", confidential (October 21, 1999).

⁴⁶ Interview with the Director of the Central Bank (November 10, 1999).

⁴⁷ Calculated from World Bank, **Global Development Finance**; Republic of Honduras, Secretary of Finance, **Memorandum 1998**, Presented to the National Congress, Tegucigalpa (July 1999), p.29

paying \$300 million in debt service, covering both principal and interest. In 1998, for example, total debt payment was \$300.5 million. Of this amount, \$190.4 million (63.4%) was for multilateral, and \$106 million (35.5%) was paid to bilateral. Given the level of mass poverty and underdevelopment of Honduras, debt servicing have been a major drain to the economy, further limiting the capacity of government to address the widespread poverty and human deprivation in the country. The situation of poverty was made worse by the devastating impact of Hurricane Mitch.

Table 4: Honduras: External Debt Service, 1994-98
(Millions of US Dollars)

	1995	1996	1997	1998
Principal	217.7	210.3	183.1	152.4
Interest	201.0	183.2	164.9	148.1
Total	418.7	393.5	348.0	300.5

Source: Director General of Public Credit, Secretary of Finance

Hurricane Mitch and the challenge of Reconstruction

Within Central America, Honduras bore the brunt of Hurricane Mitch. No part of Honduras escaped the impact of the hurricane and the two largest cities, the capital Tegucigalpa, and San Pedro Sula, sustained heavy damage. Much of the government's own institutional infrastructure was damaged, including destruction of the Ministry of Education and extensive damage to the Ministry of Finance. Preliminary estimates of damage and replacement costs prepared by UNDP and ECLAC suggest total direct and indirect damage of \$3.6 billion, equivalent to 74 percent of Honduras' 1997 GDP. Replacement costs are estimated at \$5 billion (table blow).

Table 5. Summary of Damages and Reconstruction Costs (\$million)

	Direct damage	Indirect damage	Total damage	Replacement costs
TOTAL	2,177.4	1,461.1	3,638.5	4,987.7
Social sectors	305.4	719.4	1,024.8	580.5
Housing	259.1	675.3	934.4	484.0
Health	25.6	36.7	62.3	64.5
Education	20.7	7.4	28.1	31.2
Infrastructure	347.6	164.2	511.7	713.2
Roads, bridges	314.1	140.0	454.1	571.4
Water/sanitation	24.2	7.2	31.3	118.6
Energy	9.3	17.0	26.3	23.2
Productive sectors	1,477.6	577.1	2,054.8	3,694.0
Agriculture,				

livestock,				
forestry	1,387.3	274.2	1,661.5	2,990.7
Manufacture	15.8	196.3	212.1	381.8
Trade, hotels	74.5	106.7	181.2	326.2
Environment	46.8	0.4	47.2	n.a

SOURCE: UNDP/ECLAC, A Preliminary Assessment of Damages Caused by Hurricane Mitch, December 10, 1998.

Given the extent of damage Honduras experienced, the international community responded swiftly to the disaster. Initial focus was on rescuing communities, establishing communications, distributing emergency food and medicines, organizing shelter for displaced populations, disposing of the dead, both human and animals, to prevent the spread of disease.

During the Consultative Group meeting for Central America in Stockholm last May, \$2.7 billion was pledged for emergency reconstruction of Honduras. So far, however, only \$1,724.3 million has been received from donor governments. Of this amount, \$610 million was in non-financial aid and the remaining \$1,120.5 million is composed of concessional and non-concessional loans, an amount almost equivalent to the debt relief that the government hopes to secure under the HIPC initiative. The non-concessional loans come from the following sources: IMF (\$212 million), IDA (\$365 million) and IDB (\$304 million) further increasing the country's debt exposure.⁴⁸

On the external debt front, a **Central America Emergency Trust Fund** was established by IDA in December 1998 at the request of several bilateral donors to which contributions are being made to support Honduras and the other hurricane-affected countries cover multilateral debt service payments. By September 1999, Honduras had received \$71.9 million from nine bilaterals. Of this amount, \$70.5 was paid out to the following creditor institutions: IDB (\$31.2 million), World Bank (\$33.3 million) and the Central America Bank for Economic Integration (\$6 million).⁴⁹ This is a cruel irony in the face of the extreme human suffering caused by Hurricane Mitch.

In addition to the **Emergency Trust Fund**, the Paris Club of creditors granted Honduras in April 1999 a moratorium on debt service payments for the period 1999-2002. Yet, a year after the hurricane, Honduras is still awaiting significant reduction (approximately \$1.1 billion) in its external obligations under the HIPC initiative while it has taken additional \$1.7 billion in new loans since the hurricane under the banner of disaster aid. Perplexed by the contradictory response of the donor community, the *Economist* magazine asked its readers: Does it make sense to give them disaster aid with one hand, while hindering recovery by insisting on debt service payments with the other?

⁴⁸ Republica de Honduras, **Avances En La Reconstruccion y Transformacion Nacional: Honduras a un Ano Despues del Mitch**, (15 de Octubre de 1999), p.17

⁴⁹ "Fuentes de Financiamiento reembolsable y Respaldo al Proceso de Reconstruccion", presentation by Gabriela Nunez de Reyes, Ministry of Finance (October 1999), p.1

(November 14, 1998). Needless to say, this is the current reality in Central America whereby debt service payment is "crowding out" funding for reconstruction, rehabilitation and poverty reduction.

Although the government maintains high hopes that it would reach 'decision point' by next April, it will depend on progress in implementation of the current ESAF, which is only a year old. Unlike Nicaragua, which had a good track record on implementation of macroeconomic targets, Honduras is more likely to experience difficulties in fulfilling ESAF conditionalities. Even if an exception is to be made by the multilateral institutions for Honduras to reach 'decision point' so that it can access interim support before it reaches at 'completion' point; this would largely be in the form of new loans, further building up the debt pyramid. By the time a debt relief arrives six years later, the condition would be much worse than is the case today.

CONCLUSION

Over the past two decades, the people of Central America have experienced the effects of protracted civil wars, economic collapse, and natural disasters. Since the end of the civil wars in Nicaragua, El Salvador, and Guatemala, the region has shown tremendous vitality, focusing more on peace building, democratization, and reconstruction of economies broken down by years of conflict. Sadly, in a dramatic reversal of fortunes, all the gains made over the last decade were wiped out by the devastating force of Hurricane Mitch in late October 1998.

The challenge of reconstruction and transformation has proved to be difficult. A year after the hurricane, national efforts to rehabilitate both countries and to start the broad process of human development have so far proved insufficient and riddled with problems. Much of the national efforts have been too much concentrated on the rehabilitation of infrastructure, and less on replacing assets lost by poor people (i.e. cattle, tools, productive land, crops, etc.) so that they can begin to produce for themselves and their families. Although civil society has representation at the Cabinet for the Reconstruction and National Transformation, they carry less weight to influence the direction of the national reconstruction effort. This is the first indication that the PRSP, which are mandated under the Enhanced HIPC, are unlikely to be genuinely participatory and transparent.

Civil society groups in Honduras and Nicaragua have argued that, despite its devastating impact on human lives and property, the legacy of Hurricane Mitch provide a compelling occasion to establish the basic foundations for human-centered development in the future. As such they have tried to use both the reconstruction effort and the debate on HIPC as strategic entry points to raise the issues of **governance, decentralization, human rights and ecological sustainability**.⁵⁰ The real test will come when both countries begin the drafting of the national poverty strategy framework papers (PERPS) which they are supposed to compile through a participatory process involving NGOs and civil society

⁵⁰ Mauricio Diaz Burdeth and Martín Barahona, "Perspectiva de la sociedad civil" in *Encuentro Continental de los Países Pobres Severamente Endeudados*, ASONOG & FOSDEH (Honduras: 1998)

organizations. The degree to which both governments take into account the issues of governance, decentralization, human rights and ecological sustainability and reconcile them with an essentially macroeconomic exercise remain to be seen. This will determine the scope and speed of debt relief to both countries.

We believe that, **considering the extent of poverty and the damage left behind by Hurricane Mitch, both Honduras and Nicaragua should be declared as “disaster areas” and, accordingly, their outstanding debts to creditor countries and institutions should be cancelled outright and with no conditions.** While the international community has responded generously following the hurricane, that is not enough. These countries cannot hope to reconstruct and transform their economies, reduce poverty and complete the process of democratic consolidation when heavy debt payments hang over their heads. Reconstruction and transformation require a total cancellation of their outstanding debts and fresh inflows of resources. Our recommendation is not unusual since a precedent exists whereby the United States granted similar preferential treatment to Germany after the devastation of the Second World War. Without debt cancellation and new external assistance, the reconstruction effort will fail. We, therefore, propose the following measures:

- All debt contracted under the heading of **emergency aid** should be treated on the books as “new debt”, but as advanced down payment toward debt relief which both countries would have been granted sooner or later.
- All bilateral contributions made so far to the Central American Trust Fund to cover debt service payments due to the multilateral development banks are credited back to Honduras and Nicaragua as grants.
- New mechanisms, such as debt-buy-back schemes at secondary market, should be explored to wipe out of outstanding debt to commercial institutions.
- Funds released from debt relief should not be used to finance infrastructural development alone; there should be heavy emphasis on social development, health and education, nutrition and safety net programs.

We propose the above measures to save both Honduras and Nicaragua from the agonies of being dragged through a complicated and time consuming HIPC qualification process, and to focus attention, instead, on the need to mobilize fresh resources to these countries so that they can begin to address the broad process of social development and transformation. However, the poverty strategy framework required for both HIPC and future IDA lending should be maintained since it will serve as a “contract” between donors and debtor governments in future lending operations so long as the plan has the endorsement of civil society organizations.

Finally, putting the Central American countries on a sound footing of economic development and democratic governance must go beyond the issue of debt relief and increased external resource flow. A sound strategy of ‘transformation’ must address the structural causes to poverty and marginalization. It would be a grave error to attribute the

current economic and social crisis in Central America to Hurricane Mitch alone. There are historical, economic, political and ecological explanations why so many Central Americans have long lived in conditions of abject poverty and deprivation. Tragic as the hurricane may have been, its legacy provide a compelling occasion for a fundamental review of the dominant export-led and indebted development strategy, largely designed to reward a small elite of landowners and multinational banana companies at the expense of the majority of poor subsistence cultivators. Simply to construct the infrastructure of these traditional "dessert and fruit cocktail" economies will not help the poor unless the structure of ownership of land and political decision-making are fundamentally altered to ensure that the economic, political, social and cultural rights of all citizens are guaranteed and protected. The extent to which the HIPC process will serve as the first step toward a resumption of a new development path remains to be seen.

Section III

Debt relief and the Convention on the Worst Forms of Child Labour

The prime motivation of the globalisation process of the world economy is the search of maximum economic efficiency. While this unrelenting process has undoubtedly brought about greater prosperity to many countries, large numbers of people in poor countries have not been able to share the benefits of increased wealth creation brought about by globalisation. It is; therefore, imperative that the world community establish balanced positive interactions of global processes that would enshrine social and human rights considerations.⁵¹ In this section, we propose that a link be made between debt relief and the implementation of the Convention on the Worst Forms of Child Labour. It is our view that "debt relief for social investment" would constitute part and parcel of the OECCD/DAC and Copenhagen Social Summit commitments by the year 2015. In suggesting such action we shall provide a specific example of success stories in Brazil known as the "Bolsa Escola" launched five years ago by Governor Cristovam Buarque in Brasilia. This successful initiative has now spread to many cities of Brazil and has been replicated in Mexico and other countries of Latin America.

The UN Convention on the Rights of the Child

The UN Convention on the Rights of the Child, described as the single most widely ratified treaty in history,⁵² and the Convention on the Worst forms of Child Labor have to be viewed and considered as an essential component of poverty eradication and human rights enhancement actions. The promises held out by the Leaders of the World in Legally binding Conventions include: children's right to life; to be free from discrimination; to be protected in armed conflicts; to be protected from torture or cruel, inhuman or degrading treatment or punishment; and the rights to education, health care, an adequate standard of living and freedom from economic exploitation and other abuse.

For too many children, the promises of Conventions remain hollow. Governments have been slow to implement what they have agreed at world conferences. Abuses they endure every day contradict deeds of governments. Countless children on a day to day basis have their basic human rights ignored despite solemn pledges. Children, over 130 million of them in 1998 received no education, worked long hours under hazardous conditions⁵³ and languished in inhumane conditions in institutions. Others endured harassment and

⁵¹ In an initial one year context, at least four major conferences are planned: The Seattle Ministerial WTO Conference, UNCTAD X in Bangkok, the Special Session on the UN General Assembly (Copenhagen + 5) in Geneva and the UN Millennium General Assembly, all of which have a bearing in the subjects we are dealing with and would gain from stimulating convergence as well as coherent processes of analyses and action oriented measures

⁵² 191 out of 193 countries have ratified the Convention.

⁵³ Article 32 of the Convention on the Rights of the Child, protects children from economic exploitation and work likely to be hazardous to the child development, or to interfere with the child's education.

physical violence and are subject to trafficking and sexual exploitation⁵⁴ or forced to become soldiers or refugees from armed conflict.

A very large number of children are used for commercial sexual purposes every year. They usually end up with their health destroyed, victims of HIV/Aids and other sexually transmitted diseases. In many countries, ethnic minorities and girls are still being denied an adequate education, and in poor or rural areas, prohibitive school fees kept many children out of school. All of this must change.

A fundamental cause of child labor is extreme poverty. Poor families in Bangladesh, Pakistan, India, Brazil, Mexico, Bolivia, Nicaragua, Haiti, Zambia, Zimbabwe, Uganda Tanzania and many others put their children to work simply because they have insufficient means to survive. Whatever marginal contribution they can make to assist in providing food and medicine is highly appreciated. If many of these parents are cognizant of the fact that schooling would improve their children's labor skills as they grow up, they simply cannot afford the "luxury" of doing away with whatever small income they bring back home. The conflict therefore arises between short-term parental economic interests and the long-term interest of the children. This is why an incentive has to be created for the family and it is precisely that which the "Bolsa Escola" program initiated by Governor Cristovam Buarque does.

The Bolsa Escola Scholarship Program in Brazil

The Bolsa Escola initiative started some five years ago in Brasilia, capital of Brazil. Today it has spread to very many other cities in the country and to Mexico. The program has been thoroughly assessed by UNICEF, UNESCO and the World Bank and is being examined jointly for proposals and suggested implementation action by ILO and UNCTAD. UNICEF and UNESCO have, in their evaluations findings stressed that the program has had positive effects on school drop out as well as on redoubling incidence while it has significantly reduced the percentage of child labor.

The concept is simple: children are not going to school because their families have them work, or because these very families are too impoverished and ignorant to see the point in education. Pay families a salary and they will keep their children at school. It aims among other things at building a model of society without social exclusion as well as with improved living standard. The aim of the Bolsa Escola is, therefore, not to secure a minimum income to poor families, but to ensure universal education for all. It allows children to prepare themselves better so they can secure a job and a steady income in the future. A condition of the program is that all children in school age in a particular family must attend school and none of them can drop out during the time life of the program. If this happen the program is interrupted and no financial support to the family is provided.

As an additional incentive for continuing education, and as well as a means to fight flunking and school dropout, the program is complemented with a School Savings Program. The School Savings Program ensures an extra annual deposit of one minimum wage in the savings account of every child in the Scholarship Program, provided he or she is promoted at yearend. When the child grows older than 14, he or she continues to be

⁵⁴ Articles 34 and 35 of the Convention specifically forbid the sexual exploitation or trafficking of children.

entitled to the School Savings deposits, despite the fact that the family may no longer be eligible to the Scholarship Program.⁵⁵

The student scholarship is structured in a way that it takes children out of child labor, bringing them back into school where they belong. It does so by securing a monthly income to the poor family, with the condition that all of its children do not miss school classes. This program has been successfully implemented and tested in Brasilia over the last five years and today more than 50.000 children are covered by it in the Brasilia Federal District.

At a minimum wage of approximately US\$ 100, each family costs the Federal District some US\$ 1,200.00 a year, for the Scholarship benefit payoff is maintained through vacation periods. For each 20 thousand children, from approximately 10,000 families, there is an annual cost of US\$ 12.5 million. This is a small investment in light of major transformation the program may bring to the country as it ensures that every child is kept at school. Not only would this guarantee education but as well help fight poverty. In two decades' time, the country would have changed its society entirely, setting new development standards.

Preliminary analysis have brought out that a scholarship program with a monthly disbursement of some US\$ 40 per family, is sufficient to encourage poor families with three children in securing their presence at school. If we aim at servicing the 250 million children presently working in the world - around 83 million families - we will require US\$ 40 billion per year.

Linking Debt Relief to Child Scholarship Program:

Article 7 of the Convention on the Elimination of the Worst Forms of Child Labor" requires signatories to the Convention to adopt the following measures:

- a) Prevent the engagement of children in the worst forms of child labor;
- b) Provide the necessary and appropriate direct assistance for the removal of children from the worst forms of child labor and for their rehabilitation and social integration;
- c) Ensure access to free basic education. Wherever possible and appropriate, vocational training, for all children removed from the worst forms of child labor. (Art.7)

We believe that the Bolsa Escola experience is an excellent initiative to link debt relief to end child labor. The great attraction of the "Bolsa Escola" comes from the low cost of implementation. It has produced fabulous quick results enhancing the social, economic and ethic conditions of the environment and communities covered by the scheme and its benefits. As Buarque himself states: " With only five per cent of the money the world spent on weaponry during the year of 1998, which totals US\$ 745 billion, a "Bolsa Escola" stipend could be provided for all mothers of the world's 250 million working

⁵⁵ In 1996, 31,361 students, out of a total number of 33,136 - as much as 86,38% - had been promoted and thus entitled to an extra annual deposit in their savings accounts. 5.700 of these beneficiaries were completing the 4th, the 8th or the 11th grade.

children, eradicating child labor from the face of the earth". In 1997, he further argues, developing countries paid over US\$ 305 billion to service debt. To cover the totality of children that are today working, we would need the equivalent 13% of the annual debt servicing. This could be financed through 50/50 shared burden - 6.5% of the overall debt servicing being written off and investment by the countries themselves of another 6.5%

We, therefore, recommend the direct link of debt eradication for the HIPC contingent upon the channeling of resources geared to finance the setting up, in each country, of a program of "Scholarship guaranteed family income" or compensatory monthly installments. This actually amounts to a 'family rent' directly linked to their children being kept at school. With this source of compensatory income, families are not opposed or unwilling to withdraw their children from the street and bring them to schools. All children of scholar age within a family must be registered as regular students and none of them can skip school attendance more than two days in a month. It is in this context that we urge that the linkage of Debt relief and the Convention on the worst forms of child labor be firmly established. Replication of the Brazilian experience in other heavily indebted countries using funds from debt relief is a worth while investment There are still millions of children in that country who are not covered by such a scheme. They could be saved from the horrendous life out in the street if we work out hand in hand different formulas that would promptly ease the burden of debt and initiate an the type of social investment suggested.

Conclusions and Recommendations

Just when it appeared that the global Jubilee 2000 movement and their supporters have finally won the battle over debt relief, they are back to where they started 20 years ago thanks to the persistent maneuvering of key donor countries and the multilateral financial institutions. While the Enhanced HIPC is quite an improvement from the old HIPC, its primary focus on reducing the debt stock, thus excluding relief in debt service payment; its use of ESAF as the sole criteria for determining debt relief; and finally the inadequacy of the HIPC trust fund make the entire HIPC initiative look like a sham.

Despite its shortcomings, however, there is still considerable room to build on HIPC by integrating the key concerns raised by the global Jubilee 2000 movement. In addition, we have tried to provide three strategic entry points on how to link debt relief to social investment: HIV/AIDS prevention in Africa, post-Mitch reconstruction in Central America, and debt relief and the Convention on the Elimination of the Worst forms of Child labor, based on the Bolsa Escola scholarship program in Brazil.

Equally important is the need to involve key UN specialized agencies, such as ILO, UNICEF and UNDP, who can bring a lot of knowledge and expertise to the HIPC process. The specialized UN agencies can particularly play a valuable role in the preparation of the national poverty reduction strategy frameworks (PRSP) which the countries must prepare in order to qualify for HIPC debt relief and to have access to IDA resources.

The United Nations System and the Challenge of Mainstreaming Human Rights

The preparations for writing this joint report had been extensive and the project had taken both authors into familiar territories as well as into uncharted waters. At the inception stage, both rapporteurs organized two successful seminars in Washington DC on the theme of debt relief and poverty alleviation.⁵⁶ The purpose of these roundtables was to start constructive dialogue among key institutions that have a lot to contribute toward the resolution of the debt problem but rarely speak to one another. It remains our hope that the heads of UN agencies and multilateral financial institutions, need to work together better than they do today in order to address fundamental global problems since no one agency has a monopoly of the truth on how to construct a just and sustainable world order.

In addition to the two Washington roundtables, the Independent Expert on Structural Adjustment undertook extensive field visits to Zambia, Honduras and Nicaragua. This

⁵⁶ On the 8th and 10th of November, two roundtables were convened in Washington at the Brookings Institute and the Inter-American Development Bank on "Debt Relief, the new ESAF, Cologne and Poverty Alleviation: What next?" and "Debt Relief, Social Investments and Globalization: Multilateral discussions and future negotiations." These were attended by the Secretary-General of UNTAD, the Secretary-General of the OAS, the Director-General of the Inter-American Development Bank, High Officials from UNICEF, the World Bank and the IMF and representatives from the Diplomatic Corps in Washington, academicians and NGOs.

was followed by important meetings in Washington with officials from the World Bank, IMF, and the US Congress. Talks in these meetings primarily focused on debt relief, HIPC, and HIV/AIDS. In New York, the team held meetings with officials from UNICEF, UNDP, and policy units of ECOSOC.

In the course of conducting country visits and the Washington seminars, it became clear to both of us that, with respect to the two economic mandates that the Commission on Human Rights established two years ago, the current program activities of the Office of the High Commissioner for Human Rights have limited impact on ongoing debate and discussion taking place in many quarters, particularly the need to insert a human rights perspective to global economic governance.

While the programs of many NGOs active in economic, social and cultural rights are heavily influenced by existing ILO and other human rights conventions, their relationship with OHR is not particularly strong when compared to NGOs and human rights organizations engaged in the promotion of civil and political rights. Part of the explanation have to do with the fact that NGOs working on economic rights possess much stronger intellectual and research capacity, lobbying and networking capacity than OHR does.

As it is currently constituted, OHCHR does not have the bare minimum intellectual capacity, the required qualified personnel with substantive skills in international political economy to handle these mandates competently, and the necessary resources required for mainstreaming these economic mandates into the activities of all United Nations agencies, let alone provide support to national governments eager to develop a counter-project to the policies of the Bretton Woods institutions. We feel strongly that the current staffing and management structures are out of touch with the most dynamic debates and activities taking place outside of the UN system and existing internal expertise are not being utilized properly. The most recent events in Seattle during the WTO meeting, and the global Jubilee 2000 movement which forced the World Bank and the IMF to provide faster and deeper debt relief to poor countries, the collapse of the OECD's Multilateral Agreement on Investment (MAI) two years ago, are an excellent illustrations of the dynamism of global civil society and its impact on the issue of global economic governance. Sadly, but not to our surprise, OHCHR is out of the picture in all these important deliberations, thus losing an excellent opportunity to bring a human rights perspective into the debate on global economic governance.

Secondly, we believe that the Office of the High Commissioner is missing an excellent opportunity to make an impact on economic, social and cultural rights because of the **inability of top management and the current professional staff to identify strategic entry points in the global policy discourse where the human rights agenda can be placed center stage.** We particularly feel strongly, that with the exception of the High Commissioner herself—who has been an effective advocate of economic rights—**top management at OHCHR are either unfamiliar with the substantive discourse on the links between human rights, economic globalization, and the struggle to reform**

global economic governance, or they simply do not care at all. Talking about economic and cultural rights in abstract is not enough. The Office of the High Commissioner must be proactive at the technical level and to ensure that economic, social and cultural rights are strongly integrated in the activities and programmes of the multilateral financial institutions and the regional development banks.

As a result of the above mentioned institutional problems, the Office of the High Commissioner for Human Rights is completely absent from key economic forums that require human rights integration. **Key among these are the Consultative Group meetings, multilateral trade negotiating forums, Regional and Sub-regional economic blocs, HIPC reviews for debt cancellation, and national consultative forums on developing national poverty strategy frameworks.** OHCHR's relations with the World Bank, the IMF, the WTO and the regional development banks are **non-existent, and at best superficial.** Failure to include human rights in the programs and activities of these key global institutions at inception stage will ultimately result in the violation of the economic, social and cultural rights of millions of people in many countries. It is at this level that OHCHR should have its greatest influence, not at the annual commission 'jamboree'.

We, therefore, make a special appeal to member states, the Secretary-General of the UN, and the High Commissioner for Human Rights to take urgent action to strengthen the responsiveness of OHCHR in the area of economic, social and cultural rights (economic mandate) by strengthening OHCHR's internal research and analytical capacity, technical assistance support to countries in macroeconomic policy and trade and investment related topics that have a direct bearing on the promotion and protection of human rights. While we recognize the financial problems confronting the entire United Nations system, refocusing the work of the Office of the High Commissioner for Human Rights can easily be made with existing resources although more money would help to move the process faster and to deepen the quality of intervention both at the global and local levels.