ACP-EU JOINT PARLIAMENTARY ASSEMBLY

ACP-EU 100.202/08/fin.

RESOLUTION[1]
on the social and environmental consequences of structural adjustment programmes

The ACP-EU Joint Parliamentary Assembly,

– meeting in Ljubljana (Slovenia) from 17 to 20 March 2008,

– having regard to Article 17(1) of its Rules of Procedure,

– having regard to Articles 177 to 181a of the Treaty establishing the European Community,

– having regard to the European Parliament resolution on more and better cooperation: the 2006 EU aid effectiveness package (2006/2208(INI))[2],

– having regard to the European Parliament resolution on the strategic review of the International Monetary Fund (IMF) (2005/2121(INI))[3],

– having regard to the Poverty Reduction Strategy Paper (PRSP) approach initiated by the IMF and the World Bank in 1999,

– having regard to the Millennium Declaration of 8 September 2000, which sets out the Millennium Development Goals (MDGs) as criteria established jointly by the international community for the elimination of poverty,

– having regard to the Monterrey Consensus of 22 March 2002 of the International Conference on Financing for Development,

– having regard to the Washington Consensus,

– having regard to the Rome Declaration on Harmonisation, adopted on 25 February 2003, and the Paris Declaration on Aid Effectiveness, adopted on 2 March 2005 following the High Level Forum on Harmonisation and Alignment for Aid Effectiveness (hereinafter referred to as the 'Paris Declaration'),

– having regard to the Heavily Indebted Poor Country (HIPC) Initiative launched in 1996 by the IMF and World Bank with the aim of ensuring that no poor country faces a debt burden it cannot manage,

– having regard to the Multilateral Debt Relief Initiative (MDRI) launched in June 2005 by the G-8,

– having regard to the Debt Sustainability Framework of the World Bank and the IMF (2005),

– having regard to the Independent Evaluation Office of the IMF report on the IMF and Aid to Sub-Saharan Africa (2007)[4],

– having regard to the 2005 World Bank Review of Conditionality[5],

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[1] Adopted by the ACP-EU Joint Parliamentary Assembly on 20 March 2008 in Ljubljana (Slovenia).
[2] OJ C 306 E/373, 15.12.2006, pp.373-380.
[3] OJ C 291 E/0, 30.11.2006, pp. 118-122.
[4] http://www.imf.org/external/np/ieo/2007/ssa/eng/pdf/report.pdf
[5] http://siteresources.worldbank.org/DEVCOMMINT/Documentation/20651860/DC2005-0013(E)-Conditionality.pdf

– having regard to the IMF Guide on Resource Revenue Transparency adopted in June 2005[1],

– having regard to the 2004 World Bank Extractive Industries Review,

– having regard to the June 2003 Performance Measurement Framework of the Public Expenditure and Financial Accountability Programme (PEFA),

– having regard to the report of the Committee on Social Affairs and the Environment (ACP-EU/100.202/08),

A. whereas the main objective of a structural adjustment programme (SAP) is the promotion of sustainable economic growth, and SAPs broadly cover the set of conditions, technical assistance and policy advice for a developing country, usually as part of its lending programme,

B. whereas SAPs have often failed in the countries in which they have been implemented, because of overly restrictive conditions imposed by the creditor; whereas in 2004 the World Bank replaced its SAPs by a new Development Policy Lending instrument (DPL),

C. whereas stable macroeconomic conditions, improved public expenditure, sound fiscal planning and debt management, effective public financial management and budgetary systems, and market-based interest and exchange rates are fundamental to growth and development,

D. whereas SAPs have sought to reduce government budget deficits, leading in many cases to a reduction in the budget for the social sectors, despite the fact that social investments such as in the areas of education and health care are needed for sustainable economic growth,

E. whereas the Bretton Woods Institutions have often implemented SAPs without taking the specific conditions of recipient countries into due consideration; whereas such programmes should be tailored to address the specific needs of the countries concerned,

F. whereas, after implementing SAPs, countries are often worse off than before, and in cases where there has been macroeconomic improvement the negative consequences in the microeconomic field are often not mentioned,

G. whereas the Bretton Woods Institutions have played the leading role in structural adjustment over the past three decades; whereas the Bretton Woods Institutions have major influence over lending and development aid as most donors and financial institutions rely on their eligibility criteria,

H. whereas the cuts in civil service staff and salaries in ACP countries and the scaling down of administrations’ operating resources have led to under-administration in those countries and to a decrease in the effectiveness of their administrative machinery,

I. whereas donors and lenders rely on conditionality, given their duty and legitimate interest to ensure that money provided is managed correctly and used for its intended purposes,

J. whereas economic policy conditionality has often resulted in the blocking of loans and grants from the IMF and the World Bank, which can lead to policies that are inappropriate to national conditions or even contradictory to achieving the MDGs,

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[1] http://www.imf.org/external/pubs/ft/grrt/eng/060705.pdf

K. whereas the abolition of agricultural subsidies in ACP countries under SAPs has led to a decrease in yields and agricultural production, resulting in an increase in the import of food products, thereby affecting their food independence and security, and a decrease in the export of cash crops, including the drastic reduction in the ACP guaranteed price for ACP sugar on the EU market, thereby causing a preference erosion and a deterioration of ACP countries' terms of trade and balance of payments,

L. whereas the IMF and World Bank have different priorities,

M. whereas the austerity required under SAPs has affected the social climate and has at times led to political instability,

N. whereas privatisations and the liberalisation of economies have been effected by the IMF and the World Bank in an ideological manner; whereas regarding Development Policy Lending the World Bank states that "reflecting the mixed record of adjustment lending, the policy no longer contains any policy prescriptions - such as directives for privatisation and trade liberalisation policies",[1]

O. whereas the austerity policy pursued under SAPs has reduced demand, restrained growth and increased unemployment, particularly among young graduates,

P. whereas the increase in unemployment has fuelled the rural exodus and the migration flows from ACP countries to wealthy countries,

Q. whereas SAPs have tackled the symptoms of under-development and not its deep-seated causes, i.e. unequal trade, debt and the domination of multinationals, and the persistence of those causes, despite the increase in Official Development Assistance, has resulted in negative net flows for ACP countries,

R. whereas poor political governance (democratic deficit) and economic governance are an obstacle to economic and social development,

S. whereas the declared aims of the IMF are "to promote international monetary cooperation, facilitate the expansion and balanced growth of international trade, to contribute to the promotion and maintenance of high levels of employment and real income, promote exchange stability, improve the degree of disequilibrium in international balances of payments and provide financial assistance to ease balance of payments adjustments",

T. whereas the declared aims of the World Bank are to reduce global poverty and improve living standards through two development institutions: the International Bank for Reconstruction and Development (IBRD), which is focused on middle-income and creditworthy low-income countries, and the International Development Association (IDA), which works with low-income countries,

U. whereas international financial institutions can play a positive role in favour of more equitable globalisation, but this requires developing differentiated and non-conditional approaches, based on ownership and tailored to specific country circumstances, to issues such as trade liberalisation, privatisation and labour market deregulation,

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[1] "Development Policy Lending Retrospective", World Bank, 7 July 2006, p. 3.

V. whereas there is marginal ACP representation on the Executive Boards of the IMF and the World Bank,

W. whereas sustainable development meets the needs of the present without compromising the ability of future generations to meet their needs,

X. whereas an increase in poverty, massive unemployment, diminishing productivity and falling export earnings could be some of the consequences of development strategies that fail to take into account the social reality of the country concerned and the situation of its natural resources, which are fundamental for its economy,

Y. whereas implementation of SAPs has had detrimental effects on public investment in social services, particularly in the field of health and education, on the growth of family salaries and incomes, on employment and on living conditions; and whereas governments have also been encouraged or forced to scale down their intervention in many sectors of the economy through the privatisation of public enterprises and the liberalisation and opening-up of markets to foreign competition, including in the field of health and education,

Z. whereas the adverse impact of SAPs is recognised in the post-Washington-Consensus approach, under which facilitating increased investment in the social sphere is also recommended,

1. Recommends that the IMF and the World Bank scrap the negative conditions under SAPs and tackle the issues of unequal trade in connection with the World Trade Organisation (WTO), debt and limiting multinational intervention in ACP countries; considers that, in accordance with the MDGs, education (including higher education and research), health, water, agriculture (with a view to eradicating hunger) and the environment must be priorities for all the programmes;

2. Calls in this context on the World Bank Group and the IMF to refrain from economic policy conditionality in their lending, to increase transparency of conditionality, to give a true meaning to the principle of ownership by ensuring that policies are country-selected, and to focus on outcome-based, anti-poverty conditionality in their programmes;

3. Considers that there should be fairer trade between ACP countries and wealthy countries, and that liberalisation of markets must not leave the weakest economies at the mercy of the strongest economies;

4. Considers that the endeavours to cancel or alleviate debt should not be limited solely to low-income countries, but should apply to all overindebted ACP countries, including middle income countries where appropriate;

5. Considers that intervention by multinationals in ACP countries must be limited; considers, in particular, that the setting-up of semi-public companies can enable states to increase their control over the exploitation of their national resources;

6. Welcomes, in this context, the support given by the World Bank Group, the IMF and the Africa Development Bank to the Extractive Industries Transparency Initiative (EITI), which "sets a global standard for companies to publish what they pay and for governments to disclose what they receive"; calls for their continued support for the EITI

and calls on public and private extractive industry companies to comply with the EITI;

7. Considers that the IMF must help the ACP countries to develop and implement economic growth policies in line with its initial mandate; considers that the World Bank, for its part, should revert to its initial mandate, which is to help create the right conditions for development and hence to eradicate poverty; considers that the IMF and the World Bank must, in particular, put aside all ideological considerations when addressing the issues of privatisation, liberalisation and agricultural subsidies in ACP countries;

8. Welcomes the move by the IMF to make poverty reduction a priority in its programmes, and welcomes the fact that poverty reduction is the overarching goal of the World Bank;

9. Considers that unsustainable debt levels, bad macroeconomic planning and poor policies seriously harm a country's development and that financial instability can have repercussions on the economy, affecting growth, jobs and economic and social well-being;

10. Notes that Poverty Reduction Strategy Papers (PRSPs) are intended to be country-owned strategies specifically adapted to countries' development needs; is adamant that national ownership creates important responsibilities for governments in terms of the proper use of aid, good governance and a firm commitment to a development agenda;

11. Welcomes the recent positive economic performance of many developing countries, including those in sub-Saharan Africa, which has resulted from a number of factors, namely debt relief, multilateral development assistance, improvements made by donors and, most importantly, the policies carried out by developing countries;

12. Welcomes the World Bank finding that, between 1999 and 2005, countries receiving debt relief under the HIPC Initiative more than doubled their expenditure on poverty reduction plans; recalls that at least 60 countries need all of their debts to be cancelled if they are to have any chance of achieving the MDGs and that there are yet more countries that require further debt relief;

13. Stresses that whereas economic growth is extremely important it does not automatically lead to poverty reduction, and underlines the importance of equitable development policies and pro-poor growth strategies resulting in social and economic benefits for society at large and, in particular, strategies focusing on the achievement of the MDGs;

14. Stresses the need for full political and operational cooperation with UN institutions, especially the ILO, in order to assess the real consequences of SAPs and possible solutions;

15. Believes that sustainable development should be a central priority of reforms and considers that sustainable development includes good governance, human rights and environmental aspects; recalls that macroeconomic reforms can have a sustainable effect only when they fully embrace the objectives of human and social development;

16. Recognises the need for immediate action to deal with environmental problems; underlines the fact that the burden of responsibility for fighting climate change cannot be shifted to the developing world; takes the view, in particular, that the growing demand for biofuel in the developed world has to be balanced so as not to jeopardise food security and so as not to increase deforestation in the developing world;

17. Notes that the IMF has strict macroeconomic rules in terms of reserve thresholds and inflation targeting that determine its guidelines on the use of aid; regrets that the IMF has blocked the use of available aid to sub-Saharan Africa in some cases; encourages the IMF to be less restrictive in situations that permit a more ambitious development strategy and to take into account all available resources, particularly aid; notes that fiscal policy restrictions on these programmes might lead to difficulties in engaging health and education personnel;

18. Regrets that the potential of aid has not been fully realised in the internationally supported national reform programmes;

19. Recognises the considerable assistance provided by the EU to the ACP countries to mitigate the harmful effects of the transitional phase and negative conditions under SAPs as proof of its commitment to helping those countries; takes the view that the EU, and rich countries in general, must nevertheless endeavour to increase their aid to 0.71% of GDP; is of the opinion that the ACP countries and the EU must frame a sound partnership agreement with a view to promoting genuine development in the ACP countries;

20. Calls on the EU Member States and the Commission to take into account the autonomous economic reform programmes being implemented by ACP countries in the provision of aid under their respective Aid for Trade programmes in order to enable the ACP countries concerned to successfully address adjustment-related costs, including in the context of Economic Partnership Agreements (EPAs) or wider liberalisation programmes;

21. Welcomes the IMF’s and the World Bank’s HIPC Initiative; considers that onerous debt obligations have prevented countries developing, but calls on the IMF and the World Bank, along with developing countries, to prevent the recurrence of unsustainable debt situations; underlines the fact that debt reduction will have a significant effect only if an indebted country carries out policies that prevent recurrence of an unsustainable debt situation;

22. Considers sound public financial management to be essential to the reform agenda and calls for greater support to be given to supreme audit institutions; welcomes the PEFA international performance measurement framework for assessing a country's public financial management and calls on the Bretton Woods Institutions and other donors to apply it rigorously;

23. Is worried about the situation of fragile, conflict and post-conflict states and underscores the need for the rule of law, a democratic political system, in particular respect for the outcome of elections, and a peaceful and stable political climate for a country to embark on a positive development path;

24. Is concerned by the finding of the IMF's Independent Evaluation Office that there are differences of views among members of the Executive Board about the IMF’s role and policies in low-income countries; considers therefore that the IMF should be reformed with a view to making it more democratic, not least through better representation of the ACP countries on its Executive Board;

25. Is disappointed by the finding that the IMF’s aspirations with regard to the Poverty Reduction Growth Facility (PRGF) have not materialised in practice, and that there is a disconnect between poverty reduction initiatives and the actual policies implemented;

26. Is concerned by the IMF's operational shortcomings and in particular the diffusion and implementation of policy and institutional cohesion;

27. Encourages the World Bank, the IMF and the WTO, along with the UN and other multinational and bilateral donors, to cooperate to the greatest extent possible so as to better understand and assist the ACP countries subjected to SAPs and to help them achieve the MDGs;

28. Considers that maximum country ownership of, and commitment to, policy reforms are fundamental to their success; stresses the need for an integrated approach to decent work (employment, social protection, social dialogue, rights at work and gender mainstreaming) for the effective uptake of employment and social policy at national level;

29. Calls on the relevant international bodies to create mechanisms for the exchange of experiences which can serve as tools for those countries in which the process of economic restructuring has not succeeded, or in which it is due to be launched;

30. Urges those countries with economic restructuring programmes to submit regular reports to it on the functioning and development of those programmes and the relevant agreements, so that best practices can be acquired for the benefit of the other members;

31. Considers it essential that governments be held accountable to their citizens with regard to the management of public revenue and expenditure, and in particular revenues earned from extractive industries, and calls on the World Bank, the IMF, the EU and other donors to demand that public revenues be managed in a transparent fashion; regards it as essential that democracy and the rule of law be strengthened in the ACP countries; also considers it vital to strengthen the machinery of state by equipping it with substantial human and operating resources; stresses the importance of creating a culture of accountability which fully involves parliaments and the audit institutions;

32. Considers that the funds embezzled by dictators must be repatriated to ACP countries; considers that the EU must, to this end, bring all its influence to bear on the banks in which those funds have been deposited; welcomes in this context the launch, on 17 September 2007, of the joint UN-World Bank Stolen Asset Recovery Initiative, which aims to stop asset theft by strengthening accountability institutions in developing countries;

33. Regrets that the IMF's Independent Evaluation Office has found that representatives of the IMF in countries in which it operates are stretched and do not adequately engage with local players;

34. Considers that reform programmes should be drawn up and implemented in such a way as to increase democratic legitimacy through the involvement of parliaments and through the consultation of other actors, namely the social partners and civil society, in particular employers’ and workers' organisations;

35. Underlines the fact that policies that encourage private-sector growth, including promotion of foreign direct investment, open and well functioning financial services, economic diversification, encouragement of a spirit of enterprise and private land ownership, are prerequisites for economic development and should therefore be reflected

in the programmes; encourages, in this context, public-private partnerships;

36. Considers that the state has a role to play, not least in managing the economy and in all sectors where private initiative is wanting; at the same time considers that the private sector has a role to play in sectors where the public sector fails, but that this role has to be well regulated to promote sustainable development of the country, poverty reduction as well as maximum access for the majority of citizens;

37. Is worried about the dependence of some ACP countries on one main export, which is usually a basic commodity, and in this regard considers that the encouragement of industrial development and economic diversification strategies is essential for sustainable growth;

38. Considers that, for development to be sustainable, it is necessary to promote, at international level (including via the WTO), the laying down of rules on fair trade, to set prices for products from developing countries which afford those countries sufficient revenue to guarantee workers there fair and decent pay, to guarantee the right to food security for all, and to cancel developing countries' debts where it is shown that such cancellation is likely to enhance significantly the living conditions of the inhabitants of those countries and not just of their leaders;

39. Considers that, prior to any privatisation in sectors of the economy, it is imperative to assess objectively and impartially the economic and social effects that this will engender, that privatisation can therefore only be undertaken when the living conditions of the whole population stand to improve, and that it is essential to have binding international rules in this field, particularly in order to monitor the activities of local and foreign companies as regards compliance with acceptable social and environmental standards;

40. Considers that privatisation as a borrowing condition is not an effective way to implement change and that countries should have maximum ownership of these crucial policy decisions;

41. Welcomes the fact that the World Bank's narrow focus on privatisation and liberalisation has been replaced by a broader view regarding institutional reform and complementary policies;

42. Welcomes the more targeted and pragmatic policy focus of the World Bank that allows for greater flexibility focused on medium-term reforms;

43. Welcomes the IMF's review of conditionality and calls for the immediate implementation of its conclusions, which place greater emphasis on country ownership, harmonisation of policies across sectors, stakeholder consultation, implementation of essential, tailored policies, predictability and transparency; stresses that conditionality should not undermine national autonomy and independence in policy-making, and that conditions should be limited to ensuring that assistance is used for its intended purposes, such as combating corruption, and to preventing assistance to governments that do not respect human and democratic rights and undermine countries' efforts to achieve the MDGs;

44. Welcomes the increased sense of national ownership of programmes, but reiterates that a strong commitment to necessary development reforms is a prerequisite for this;

45. Calls on donors to step up coordination of their activities, but is concerned about the

impact this may have on country ownership, and considers it crucial that national policy ownership be upheld at all times and that developing countries can decide on their development strategies;

46. Stresses that environmental conservation and protection tasks cannot be undertaken by government alone; calls for the development of partnerships with local and foreign agencies (World Bank/IMF, UN agencies, World Wildlife Fund and universities);

47. Calls on the EU and ACP representatives to coordinate their positions better on the boards of the World Bank and the IMF in line with development objectives of the EU and ACP countries and to ensure that EU funds are used solely for these objectives;

48. Welcomes the recent adjustments to the voting quotas in favour of some countries, but calls on the IMF and the World Bank, in the interests of their own legitimacy, to make further improvements in the decision-making mechanisms to be more transparent and give appropriate weight to developing countries;

49. Instructs its Co-Presidents to forward this resolution to the ACP-EU Council, the European Commission, the African Union, the World Bank and the IMF.