Background Information

**Debt:** The debt burden of developing countries is $1.9 trillion. Of this, $278 billion (roughly 17%) is owed to the World Bank and IMF. The World Bank and IMF refuse to reduce or reschedule the debt owed to them, arguing that this would negatively affect their ability to raise capital for lending. Both the World Bank and the IMF have large capital reserves ($17 billion and $35 billion respectively) which they could use to cancel debt. Nothing in the World Bank Charter precludes it from forgiving or rescheduling debt.

The World Bank lent freely to regimes like those of Marcos in the Phillipines, Motutu in Zaire, and Somoza in Nicaragua. The current governments of these countries are burdened with paying off these debts even though the majority of their citizenry did not benefit from the credits given.

Despite internal reviews finding that 35% of their projects have been unsuccessful, the World Bank takes no financial responsibility for failed projects. The Bank will not reduce or cancel such debts, even though it advocates debt relief by the industrialized countries and commercial bankers.

**Global Environment Facility (GEF):** The GEF was established by the World Bank in 1990 as a $1.3 billion pilot project to fund projects on ozone depletion, global warming, loss of biological diversity and degradation of the marine environment. The GEF is now a $2 billion fund. An evaluation carried out by the Bank’s Operations Evaluation Department found the GEF to be poorly conceived and flawed. At the Earth Summit in 1992, the GEF was endorsed as the interim funding mechanism for the global warming and biodiversity conventions pending its restructuring. Negotiations on restructuring have subsequently broken down.

More than 70% of GEF projects were grants added on to loans for World Bank projects. World Bank “environmental projects” have forcibly resettled 2.5 million people, most poor and many indigenous.

**International Development Association (IDA):** The IDA is the World Bank’s “soft loan window.” It was originally designed to help the poorest countries of the world by offering loans at interest rates significantly lower than market value. Since IDA funds, which come directly from taxpayers in the U.S. and other donor countries, are given as loans and not grants, they exacerbate the debt burden for people in receiving countries.

Of the 44.47 billion in IDA credits in 1992, $2.35 billion was paid to international procurement contractors by the recipient countries: 55% of these funds went to the 10 richest industrialized nations for services, including $203 million to the United States.

**Structural Adjustment Programs (SAPs):** SAPs are designed to boost a country’s foreign exchange earnings by promoting exports, reducing government deficits and improving the
foreign investment climate. SAPs include shifting from domestic food production to production of food for export, devaluing the currency, cutting social spending (including health and education), restricting credit, suppressing wages, privatizing national industries and liberalizing trade. By the end of 1992, 75 countries in Africa, Asia, Latin America, the Caribbean and eastern Europe implemented SAPs from the IMF and the World Bank, with conditional credits totaling more than $150 billion. Agreements with recipient governments spelling out the rules for SAPs are secretive: even World Bank Executive Directors are not privy to them.

SAPs have failed in most countries to lead to sustained and equitable economic growth or to increased productive investment. They have often led to severe recession, massive unemployment, de-industrialization and health crises.

**Text of the Resolution**

WHEREAS 1994-1996 marks the 50th anniversary period of the founding and opening of the Bretton Woods Institutions (BWI), the World Bank and the International Monetary Fund (IMF), institutions that have been widely criticized for their role in financing and promoting development overseas that is inequitable, environmentally damaging and non-participatory;

WHEREAS the United Church of Christ Pronouncement on ‘Christian Faith: Economic Life & Justice’ establishes as a goal “the just transformation of the global economic order that fundamentally ensures economic, racial, and social justice for all God’s people throughout the world;”

WHEREAS the United Church of Christ and our global partners support development which promotes sustainability and democratic, grassroots participation;

WHEREAS several of our global partners such as the All Africa Conference of Churches, the National Council of Churches of Kenya, the South African Council of Churches, and the United Church of Christ in the Philippines, have challenged us to tackle international debt and structural adjustment programs as justice issues;

WHEREAS structural adjustment programs, promoted by the IMF and World Bank, have failed to produce sustained and equitable economic growth or to increase productive investment, and have often led to severe recession, massive unemployment, de-industrialization and health and education crises;

WHEREAS structural adjustment programs have had particularly negative effects on girls and women – devastating market women producers and leading, in some cases, to declining attendances in rural health clinics and schools by as much as 25%;

WHEREAS approximately 17% of the debt of developing countries is now owed to the IMF and the World Bank (with over 40% of Sub-Saharan Africa’s annual interest payments now going to these two institutions), and many commercial banks and creditor nations, including the United States, have agreed to some debt reduction and rescheduling.
WHEREAS the IMF and World Bank have large capital reserves (accumulated profits of $35 billion and $17 billion respectively) which they could use to cancel debt;

WHEREAS the International Development Association (IDA – the soft loan window of the World Bank) was originally designed to help the poorest countries, 55% of IDA loans now go to procurement contractors in wealthy countries;

WHEREAS the Global Environmental Facility of the World Bank has not fulfilled its mandate to fund projects on ozone depletion, global warming, loss of biological diversity and degradation of the marine environment; and

WHEREAS there is increasingly a net transfer of wealth from poor to wealthy nations and individuals, and from the poor to the IMF and World Bank;

THEREFORE, BE IT RESOLVED that the Twentieth General Synod of the United Church of Christ joins its voice with people of faith and non-governmental organizations (NGOs) around the world to express concern regarding the disastrous social, economic and environmental record of these institutions, and to say, “50 Years is Enough!”

BE IT FURTHER RESOLVED that the Twentieth General Synod calls for:

- the replacement of IMF and World Bank structural adjustment programs with policies and projects which better meet the needs of the poor and promote sustainable participatory and equitable development.
- the cancellation, or substantial reduction, of debt owed to the World Bank and IMF, especially by the poorest countries.
- for increased support by the U.S. government for the reduction of commercial and bilateral debt.
- the removal of the International Development Association from World Bank management, and placement under the UN umbrella or a separate publicly accountable body.
- the immediate de-linking of the Global Environmental Facility from the World Bank, and its reformulation as a separate institution with a clear mandate to protect the environment, indigenous peoples, and also with clear guidelines for public participation in its decisions.

FINALLY, BE IT FURTHER RESOLVED that the Twentieth General Synod calls on national and local staff, local churches, conferences and Synod delegates to undertake intensive education and advocacy work on the Bretton Woods Institutions (BWI’s) during the period 1995-1997, informing United Church of Christ members about (1) policies of the IMF and World Bank, (2) the impact of these policies on people throughout the world and on the environment, (3) the role which the U.S. government plays in these institutions, and (4) alternatives emerging from the affected peoples for the reform and restructuring of these institutions so that they become democratic and accountable to the people who feel the effects of their policies and projects.

Subject to the availability of funds.