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SIXTY QUESTIONS

SIXTY ANSWERS

DEBT, THE IMF, AND THE WORLD BANK

ÉRIC TOUSSAINT AND DAMIEN MILLET

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What is meant by "developing countries"? Why is the term "development" ambiguous? What is the link between and poverty? What are the "Millennium Development Goals" (MDG)? What are the different kinds of debt for devel countries? What part did private banks play in the development of developing countries' external debts in the 19 and 1970s? What part did the World Bank play in the development of the developing countries' external debts in 1960s-1970s? How does the World Bank function? What part did the governments of countries of the North pla the evolution of the developing countries' external debt in the 1960s-1970s? How was the borrowed money use the developing countries? How did the price of commodities evolve during the last quarter of the 20th century? role did the evolution of interest rates play in the 1982 debt crisis? Are there any similarities with the 2007 subp crisis? How does the IMF function? What are the short-term or shock measures imposed by structural adjustment what are their consequences? Other international players: the Paris Club and the WTO What is the Paris Club? What the long-term or structural measures imposed by structural adjustment, and what are their consequences? Are all developing countries treated in the same way by the Paris Club? What is undermining the Paris Club? What is the role of World Trade Organization of the IMF/World Bank crisis of 2007? Of what of developing countries debt changed since countries repay debts? IMF, and private banks the debt crisis? How did debt crisis? What about of developing countries? financial flows directed? debt of developing debt relief initiative come Indebted Poor Countries HIPC initiative achieved its in the latest debt relief 2005? Does Official (ODA) help to mitigate Is micro-credit a solution

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"An important tool for liberating the mass of suffering people who are caught in the shackles of foreign debt."

Debt, the IMF, and the World Bank

Sixty Questions, Sixty Answers

By Éric Toussaint and Damien Millet

Translated by Judith Abdel Gadir, Elizabeth Anne, Vicki Briault, Judith Harris, Brian Hunt, Christine Pagnoulle and Diren Valayden, with the collaboration of Francesca Denley, Virginie de Romanet and Stephanie Jacquemont

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A Denise Comanne (1949-2010),
ma compagne d'amour et de lutte
—Éric Toussaint

ABBREVIATIONS

ATTAC	Association for the Taxation of Financial Transactions for the Aid of Citizens
BIS	Bank of International Settlements
CADTM	Committee for the Abolition of the Third World Debt (initials are for the French name)
FAO	Food and Agriculture Organization
G7	Group of the seven most industrialized countries (Canada, France, Germany, Great Britain, Italy, Japan, and United States)
G8	G7 + Russia
GATS	General Agreement in Trade on Services
GDP	Gross Domestic Product
GMO	Genetically Modified Organisms
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development (World Bank group)
IDA	International Development Association (World Bank group)
IFIs	International Financial Institutions
IMF	International Monetary Fund
MDRI	Multilateral Debt Relief Initiative
NEPAD	New Partnership for Africa's Development
OAU	Organization of African Unity replaced in 2002 by African Union
ODA	Official Development Aid
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries
PSRP	Poverty Reduction Strategy Paper
SAP	Structural Adjustment Program
TRIPS	Trade Related Aspects of Intellectual Property Rights
UN	United Nations
UNCTAD	United Nations Conference for Trade and Development
UNDP	United Nations Development Program
USSR	Union of Soviet Socialist Republics

Introduction

Many countries in the South possess vast natural and human resources, yet since the debt crisis in 1982 they have been bled dry. Repaying an ever-increasing debt makes it impossible to meet even the most basic human needs. The debt has become a subtle instrument of domination, casting the net of a new form of colonization. Policies implemented by debtor countries are too often decided by the creditors rather than by the elected representatives of the countries concerned. The latest debt relief initiative, announced with much fanfare at the Gleneagles G8 meeting in 2005, does not alter the situation. A radically different approach must be considered: the cancellation—no more and no less—of an immoral and often odious debt.

This book counters a number of objections. Won't these countries run the risk of relapsing into unsustainable indebtedness after their external debt is canceled? Won't corrupted and dictatorial regimes get a boost from debt cancellation? Won't taxpayers in the North have to bear the cost of cancellation? What part will be played by new protagonists, such as China, Latin America, sovereign funds, and vulture funds? Is it really a solution to replace external public debt by internal public debt? What's the connection between the debt and the global food crisis that started in 2007? The present book shows that cancellation of the debt is a necessary but not a sufficient condition, that it must go hand-in-hand with

QUESTION 1

What is meant by "developing countries" (DCs)?

First we need to define the vocabulary. The terms *North*, *rich countries*, *industrialized countries*, or *Triad* all refer to the countries of Western Europe, North America, Japan, South Korea,[1] Australia, New Zealand, and a number of other high-income countries (see list in Appendix).

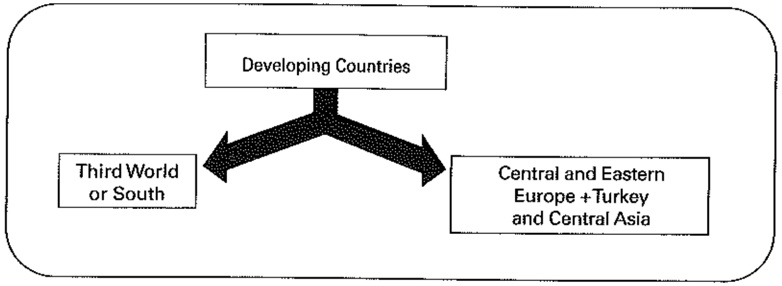
However debatable it may seem to group such diverse countries as Thailand, Haiti, Brazil, Niger, Russia, or Bangladesh in one category, we have chosen to adopt the terminology found in the statistics provided by the World Bank and the IMF, as well as the OECD, the UNDP and other UN agencies. Thus we refer to all the countries outside the Triad as *developing countries (DCs)*. In 2008 there were 145 of these according to our figures. Within this category we make the distinction, for historical reasons, between the group of countries designated as Central and Eastern Europe, Turkey, and Central Asia, and the others—Latin America and the Caribbean, Middle East and North Africa, Sub-Saharan Africa, South Asia, East Asia, and the Pacific—classified as the *Third World* or *South* (see list in Appendix).

> In 1951, I spoke in a Brazilian journal of three worlds, although I did not actually use the term "Third World." I invented and used that expression for the first time when writing in the French weekly

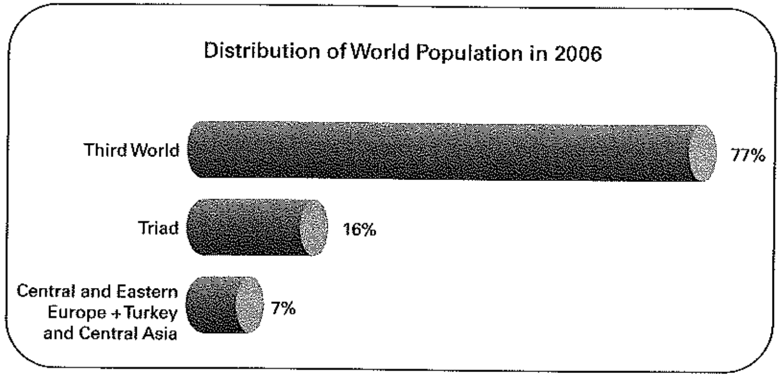
Estate— also wants to be something." I thus transposed Sieyes' famous words about the Third Estate during the French Revolution.

—ALFRED SAUVY, French economist and demographer

Distribution of developing countries is as follows:



Out of a world population of approximately 6.5 billion people, about 84 percent live in the developing countries:



Source: World Bank, *World Development Indicators 2008*[2]

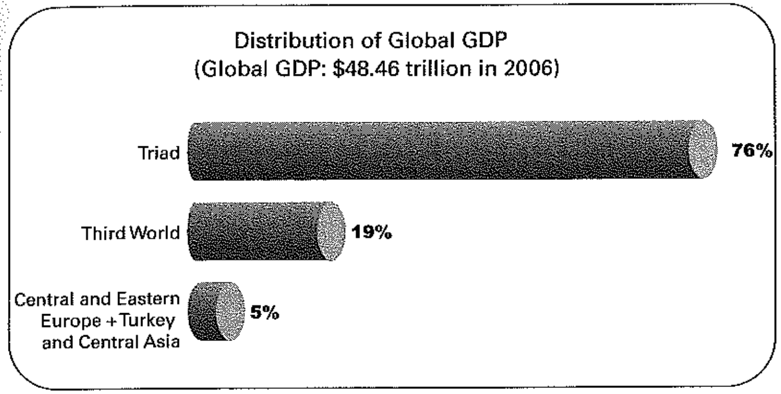
The Gross Domestic Product (GDP) is the conventionally accepted indicator used by many economists to evaluate the production of output (goods and services; see Glossary) in the world. However, the information it gives is incomplete, biased, and questionable, for at least four reasons:

1. It does not take into account unpaid work, provided mainly by women;

2. Damage to the environment is not treated as a debit;
3. The unit on which the calculation is based is the price of a commodity or a service, and not the amount of work it requires;
4. Inequalities within a country do not enter into the calculation.

Despite these inadequacies, GDP is an indicator of economic imbalances between North and South. GDP and all other monetary figures appearing in this book are expressed in U.S. dollars, since 60 percent of exchange reserves, international loans, and exchanges are still transacted in this currency.

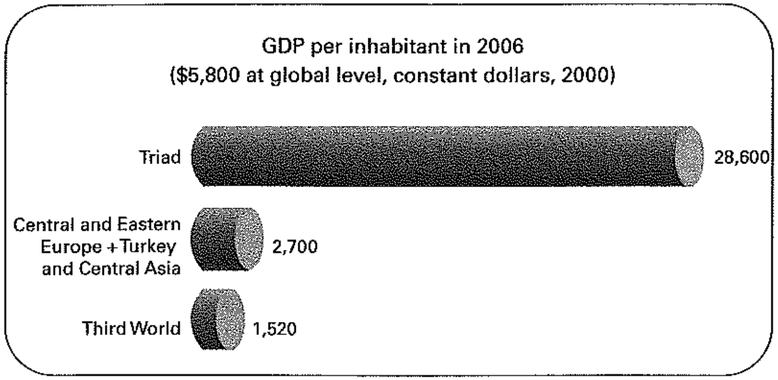
The production of wealth is largely concentrated in the North, and is almost inversely proportionate to the distribution of population:



Source: World Bank, *World Development Indicators 2008*

Neoliberal globalization has been actively promoted by the authorities of the rich countries, which receive most of the profits, even though this can only be to the detriment of billions of inhabitants in the developing countries, as well as a large number of those in industrialized countries.

The GDP per inhabitant data reveal the economic gulf separating North and South (see below). However, this provides an incomplete overview of the world economic situation, as it ignores the often flagrant income disparities within a given category of country.



Source: World Bank, *World Development Indicators, 2006*

> The income of the world's 500 richest people exceeds the cumulative income of the world's 416 million poorest people.
>
> —UNITED NATIONS DEVELOPMENT PROGRAM[3]

Consequently, it is never useful to oppose North and South in overall terms. These words are used only to express a geographical state of affairs: most of the decisions are made in the North and have serious consequences for the developing countries. Nevertheless, within each region, the same mechanism of domination exists. In the final analysis—and this is fundamental—the main problem is the oppression of one part of humankind (not exclusively located in the South) by another part, much smaller in number but much more powerful. In other words, very different interests separate those who are subjected to the present system (the majority of the population in both North and South) from a relative handful of individuals who benefit from it, in both North and South. This handful of individuals makes up the capitalist class, which is driven by the desire for maximum profit. It is therefore crucial to make the right distinction, to avoid misunderstanding some of the underlying issues and failing to identify interesting alternatives.

QUESTION 2
Why is the term "development" ambiguous?

The term *developing countries* implies that these countries are making progress and "catching up" with the highly industrialized countries—as if there were only one way to "develop," as if the industrialized countries were the absolute development model, and as if some countries were further along the road than others in the race to make up for lost time. The purpose of using this pernicious term is to have the world believe there is only one possible form of development, and to legitimize the decisions of the major powers and institutions that share the same logic, while marginalizing the arguments of those who affirm that there are other possible, and even essential, alternatives.

The conventional idea of development is far from neutral: it has a strong ideological connotation and conceals choices that can legitimately be questioned. The term was used for the first time in 1948 by U.S. President Harry Truman:

> We must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. . . . Their poverty is a handicap and a threat to them and to more prosperous areas. . . . The material resources which we can afford to use for the assistance of other peoples are limited. But our imponderable resources in technical knowledge are constantly growing and are inexhaustible. . . . we should foster capital investment in areas needing development. Our aim should be to help the free peoples of the world, through their own efforts, to produce more food, more clothing, more materials for housing, and more mechanical power to lighten their burdens. . . . All countries, including our own, will greatly benefit from a constructive program for the better use of the world's human and natural resources. Experience shows that our commerce with other countries expands as they progress industrially and economically. Greater production is the

Aimé Césaire deconstructed this message clearly and concisely:

> In other words, big American finance considers the time has come to grab all the world's colonies.
>
> —AIMÉ CÉSAIRE, *Discourse on Colonialism*, 1950

Moreover, one should note that this kind of development overlooks two essential aspects: the living conditions of populations and the ecological constraints imposed by the finite resources of our planet. Sixty years after Harry Truman's speech, the words *growth* and *sustainable development* have replaced the term "development." The economic press is full of analyses defending a development presented as healthy and worthy of every kind of sacrifice. The world's financiers point to China and India as models—countries where companies are relocating, growth is strong, labor is dirt cheap, and working conditions deplorable. So what is behind such growth?

The economic growth of a country or region is directly related to the policies practiced there. Similar figures notwithstanding, the reality of the situation can vary widely from one case to another. Economic growth ought to reflect improved living conditions, in particular for the poorest, enabling them to take part in the country's economic activity and thereby encouraging the development of local businesses that will produce goods and services primarily for the domestic market. This is not the case today. Growth today is an unfair process by which the global economy is in the hands of huge transnational corporations whose turnover often exceeds the gross domestic product of certain countries, or even whole continents. These corporations operate all over the planet but are careful to maintain powerful roots back home, where they generally rely on the state to protect their interests (ExxonMobil and Boeing are supported by Washington, Total by the French government). Along with the transnationals of the highly industrialized countries, we now see the emergence of powerful transnationals based in developing countries (Lenovo in China, Petronas in Malaysia, Petrobras in Brazil, Celtel in Africa, Techint in Argentina, Anglo American in South Africa, Tata in India, and so

are forcibly tied to the global marketplace. In the prevailing model, their growth is largely reliant on exports. This means that commodity prices and outlets for their manufactured goods are essentially dictated by the most industrialized countries. An economic downturn in the United States, Europe, or Japan can have dramatic consequences for the economies of the developing countries because they depend so heavily on exports to these powers. To make matters worse, the export-driven growth model in no way seeks to satisfy basic human rights or emancipate peoples in the South. Indeed, the proponents of unfettered economic growth are careful to conceal its impoverishing potential. In reality, this growth model invariably leads to destruction of the environment, widening inequalities, and unlimited accumulation of wealth to the exclusive benefit of a tiny minority, while an overwhelming majority of the population lives in increasingly precarious conditions.

> What development are we talking about? Are we talking about the neoliberal development model which means that 17 people die of hunger every minute? Is it sustainable or unsustainable? Neoliberalism is to blame for the disasters of our world. We do not put out the fire and we leave the arsonists in peace.
>
> —HUGO CHÁVEZ, president of Venezuela, World Summit on Sustainable Development, in *Le Monde*, September 4, 2002

Unrestrained growth as advocated by the present system is not self-perpetuating. To last, it must continually create new consumer needs, pollute in order to purify (water, for example), and destroy in order to rebuild (see Iraq). The tsunami of December 2004 was "positive" for Asia's growth (even if it caused the death of 200,000 people), because the industrial areas were not affected and rebuilding is proving long and costly. To sustain the pace of private automobile development, the agro-fuel sector (which we are tempted to call necro-fuel, since vast land areas are given over to its production instead of producing vital food) is booming, thus causing steep price hikes for certain food products and increased undernourishment in many developing countries.

> If nothing is changing, as we stand at the threshold of an ecological crisis of historic gravity, it is because the powerful ones of this world don't want it to. . . . The pursuit of material growth is for the oligarchs the only way of making societies accept extreme inequalities without questioning them. Growth creates a surplus of apparent wealth which oils the system without changing the structure.
>
> —HERVÉ KEMPF, *How the Rich Are Destroying the Earth*, 2008

However, all peoples have the right to decide their own future and to possess the means to do so. This will not be possible as long as growth remains the absolute indicator of the world's state of health.

> Not simply to develop but to develop oneself.
>
> —JOSEPH KI-ZERBO, *A quand l'Afrique?*, 2003

Although we are aware of all the inadequacies and semantic manipulations, we will be using the notion of developing countries throughout this work to allow us to refer to the statistics of the international institutions and place them under scrutiny. Thus the reader can check the data we ourselves provide with the data presented on these institutions' websites and in their printed publications.

QUESTION 3
What is the link between debt and poverty?

The living conditions of the most deprived have deteriorated almost everywhere over the last twenty-five years, though at different times, to different degrees, and at different rates from one country to another. Several developing countries were hit very early in the 1980s (Latin America, Africa, and some countries of the former Soviet bloc), and others were struck only in the second half of the 1990s (Southeast Asia). International institutions have persisted in demanding repayment of the external debt. They make it a priority in their pursuit of dialogue with

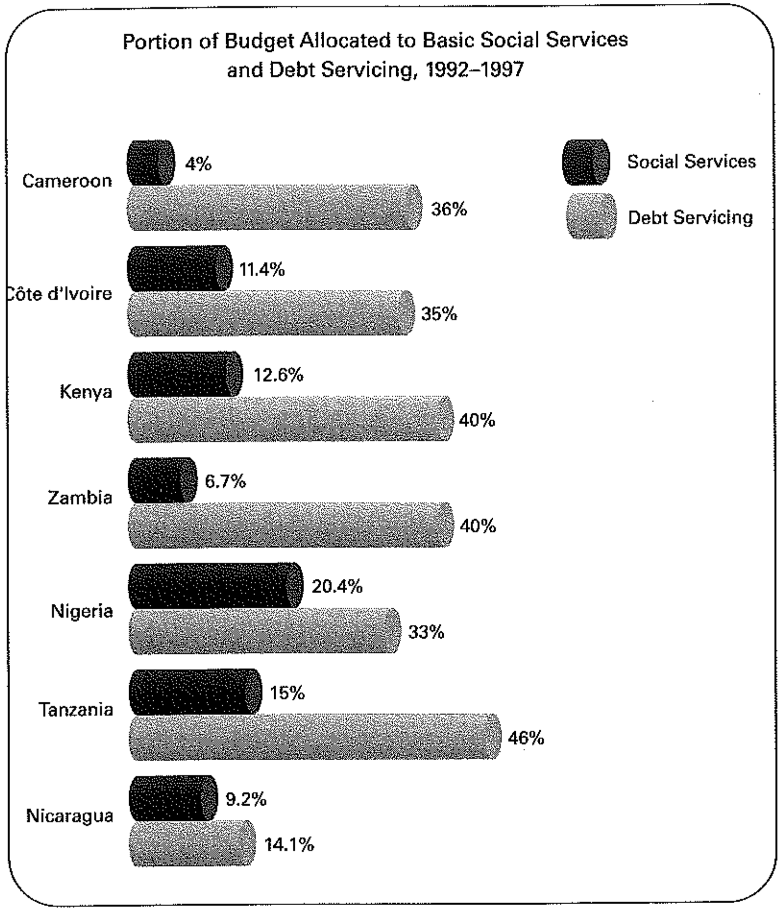
often an immoral and illegitimate debt. Political, economic, social, moral, legal, ecological, and religious arguments have their place in this debate. But the pressures exerted by the great moneylenders of the world and the collusion between the ruling classes of North and South are such that most leaders of developing countries have no qualms about seeing their populations crushed by the burden of debt.

> In government, you can only spend what you can earn. I inherited a very big debt that we are trying to reduce, while respecting a primary surplus of 4.25 percent, because it is important to show my creditors that I am responsible, that I pay my debts.
>
> —LUIS INÁCIO LULA DA SILVA, president of Brazil, in *Le Monde*, May 25, 2006

The debt in the developing countries has become far too heavy for their fragile economies and has crushed all attempts at development. According to Kofi Annan, UN secretary general in 2000, debt servicing (see Glossary) represented that year an average 38 percent of the budget of the Sub-Saharan African states. In 2006, the government of Ecuador devoted 38 percent of the budget to debt repayment while allocating 22 percent to total social spending (health, education, and so on). For some countries, debt servicing accounts for more than half the budget.

If the developing countries follow the directives of the IMF (see Q16), the World Bank (see Q8), and the other creditors, they have no choice but to instigate strict budgetary austerity measures. That means reducing public spending to a minimum in areas such as education, health, maintenance of infrastructures, public investment in projects—which generate employment—and housing, not to mention research and culture. The only areas where spending is not reduced are those related to defense, security, and, to a lesser degree, the law.

In order to pay these colossal sums, governments have to procure hard currencies (mainly dollars, but also euros, yen, sterling, Swiss francs, among others) in which repayments must be made. To do this, priority is given to export programs: accelerated exploitation of natural resources



Source: UNDP, *Poverty Report, 2000*

Monocultures, which are particularly dangerous because they create a state of dependency on a number of transnational corporations that control the market, are becoming the rule. Subsistence crops are abandoned, which often means that countries that export agricultural produce have to import the foodstuffs they need. Thus Madagascar exports luxury-grade rice and is forced to import poor-grade rice to feed its people.

With the dramatic rise in prices for basic food products (wheat, rice, maize) that started in 2006, countries that abandoned their food sovereignty under pressure from the World Bank and the export-based

agribusiness sector have suddenly become destitute. This has been the case for the majority of African countries, but also for the Philippines, Bangladesh, and several Latin American countries, including Mexico.

In the battle to produce export goods as cheaply as possible, no attention is paid to how people will manage to live or survive. Existing social benefits—meager as they are—are often placed at risk, and working conditions are deplorable.

In addition, the often abundant and varied natural resources of the developing countries are overexploited—a cause of serious environmental problems. According to some forecasts, the main natural resources of certain countries will run out in a few decades, for example, oil in Gabon, Colombia, and Ecuador, where production is decreasing. Many countries in the South are alarmed at the ravages of deforestation from intensive logging of tropical hardwoods or the increased size of areas sown for crops.

According to many scientists specializing in biodiversity, our planet is today facing the sixth major crisis to threaten the extinction of species since the beginning of life on Earth. But though the five previous crises were spread over very long periods of time, the present crisis seems to be unfolding in a much shorter time span because of the decisive role played by human activity. The red list published by the International Union for Conservation of Nature and Natural Resources (IUCN) named over 16,000 species threatened with extinction in 2006: one mammal out of four, one bird out of eight, one amphibian out of three.[4]

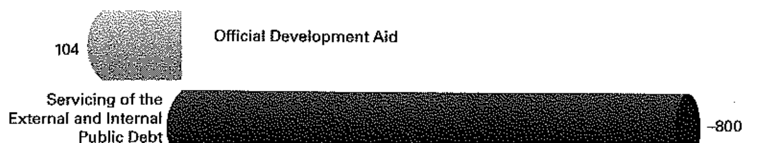
In an attempt to address these dire threats, the United Nations organized in the summer of 2002 the World Summit for Sustainable Development in Johannesburg, South Africa. The then president of France, Jacques Chirac, spoke with emotion, in his inimitable manner: "Our house is burning and we are taking no notice. Nature, mutilated and overexploited, can no longer reconstitute itself and we refuse to admit it."[5] Yet at the same time he was one of the most fervent defenders of the neoliberal economic model and intensive farming.

The relationship between debt and human development needs to be made clear. The debt mechanism enables the international financial institutions, the states of the North, and the multinationals to exert control over the economies of the developing countries and, for a derisory sum, lay hands on their resources and wealth, to the detriment of the local population. It is a new form of colonialism regulated by the implementation of Structural Adjustment Programs (see Q17 and Q18). Decisions concerning the South are not made by the South but in Washington (in the U.S. Treasury or at the head office of the World Bank or the IMF), in Paris (at the head office of the Paris Club—the group of creditor states of the North (see Q20) or in the London Club (which represents the big banks of the North—and does not always hold its meetings in London). This is why the fulfillment of basic human rights is not given priority. The priority is to satisfy economic, financial, and geopolitical criteria, such as debt repayment, opening up borders to capital and merchandise, and privileged treatment for countries allied to the great powers.

The latest figures published showed that the amount repaid by developing countries to service the external public and private debt totaled $520 billion in 2006. If we take only the servicing of the external public debt, which falls under DC state budgets, the figures were approximately $190 billion in 2007.[6] If we now add servicing of the internal public debt, also paid for out of state budgets and at least three times more than the servicing of the external public debt according to the World Bank, we arrive at the astronomical sum of $800 billion repaid each year by public authorities for their external and internal debt.[7]

Comparatively, official development aid from rich countries (a problematic issue in itself; see Q34) barely reached $104 billion in 2007. These very costly repayments deprive the developing countries of precious resources to combat poverty efficiently.

Debt Servicing in Relation to Funds Spent on Basic Human Needs (in $ billion: 2007 figures)



We see, therefore, that debt repayment is bleeding the economies of developing countries and that new loans are insufficient to make up for the outflow. For example, in 2007 the public authorities of developing countries repaid $19 billion more than they received in loans that year. The net transfer[8] was negative and reached $760 billion for the period 1985–2007, whereas for the same period the external public debt more than doubled, growing from $600 billion to $1.35 trillion!

If we now take as our period of reference the years 1970–2007, we realize that the external public debt of developing countries has increased from $46 billion to $1.35 trillion, and that during this time, their public authorities have repaid $460 billion more than they have received in the form of loans.

Today, it is clear that debt is one of the main obstacles to the fulfillment of basic human needs, at the heart of a system of domination by the rich countries of all the developing countries.

> Just as cultivated and well-informed Frenchmen knew what their troops were doing in Vietnam and Algeria, cultivated and well-informed Russians knew what their troops were doing in Afghanistan, and cultivated and well-informed South Africans and Americans knew what their "auxiliaries" were doing in Mozambique and Central America, so today, cultivated and well-informed Europeans know how children die when the whip of the debt cracks over the poor countries.
>
> —SVEN LINDQVIST, *Exterminate All the Brutes*, 1997

QUESTION 4

What are the "Millennium Development Goals" (MDG)?

In 2000, on the occasion of the United Nations Millennium Summit, the world's leaders pledged their commitment to a number of goals (see below), complete with figures, called "Millennium Development Goals," with a view to finding solutions to the problem of poverty by 2015. What happened next?

not eradicate it when humanity has more than enough resources to free the poor from deprivation? Moreover, these patently ill-adapted and inadequate goals will very likely never be achieved, since some of them concern areas where the situation has in fact deteriorated in many countries. Despite all the statistical manipulations designed to conceal this reality,[9] the present poverty reduction policies are proving to be a lamentable failure.

In its *Global Monitoring Report 2007*, the World Bank provides a precisely documented account.[10] Although it is pleased to report on slight progress in this region or that, the World Bank figures show without a doubt that basic human rights throughout the developing countries are largely ignored.

> The unprecedented combination of resources and technology at our disposal today makes the argument that the 2015 targets are beyond our reach both intellectually and morally indefensible. We should not be satisfied with progress that falls short of the goals set—or with half measures that leave whole sections of humanity behind.
>
> —UNITED NATIONS DEVELOPMENT PROGRAM, 2006[11]

OBJECTIVE 1—ERADICATE EXTREME POVERTY AND HUNGER

- *Halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day*

An emblematic measure—but the choice of an arbitrary threshold ($1 a day) poses a problem. Can one really claim to have eradicated poverty when a person's revenue reaches this threshold? What precise standard of living does this reflect? Also, the goal is not to halve the number of poor people but the proportion of poor people. Given the demographic growth factor, the number of poor people "authorized" by this objective will increase as time goes by and the goal will be easier to reach than it would seem at first glance.

sis that started in 2007—quote a figure of 721 million. So where's the failure? The World Bank proclaims a victory, with the famous proportion dropping from 28.7 percent to 11.7 percent.

On a global level, if the published goal can still be achieved, it is primarily thanks to China, where one person out of five currently lives. The irony of the situation is that China has not strictly respected the World Bank's requirements. According to the Chinese authorities and the World Bank, poverty is declining a little but the inequality gap is widening dramatically. The World Bank acknowledges that the poorest Chinese have seen their situation deteriorate over the last ten years. This is partially due to reduced state intervention and the introduction of paying health and education schemes. In other parts of the world, countries that have more readily accepted the recommendations of international institutions and their dubious medicines have often seen poverty increase: Sub-Saharan Africa, Latin America, and South Asia are still very far from the target.

It must also be remembered that these figures do not reflect the precarity factor. For example, the number of people living on less than $2 a day would evolve far more slowly: 2.647 billion in 1990, 2.556 billion in 2004, a forecasted 2.095 billion in 2015. It comes down to this: a few hundred million have seen their revenue creep just over the threshold of $1 a day while hundreds of millions of others have seen their situation worsen.

Finally, the method of calculation used by the World Bank to arrive at these figures is questionable. First, the World Bank defines poverty in terms of the purchasing power of a person earning $1 a day during a given year. Then it converts this poverty threshold into other currencies and for

Number of People with Income of Less than $1 per Day (in million)

REGION	1981	1990	2004	2015 est.
Sub-Saharan Africa	168	240	298	326
Latin America and the Caribbean	39	45	47	38

the other years. According to several specialists, including Thomas Pogge, currently professor of philosophy at Yale University, "Its method of carrying out this double conversion is extremely problematic."[12]

In September 2008, the World Bank acknowledged that there were major errors in its calculations concerning the poverty situation worldwide.[13] In fact, though "World Bank poverty estimates [are] strengthened by better cost-of-living data," the result is in itself a brutal challenge to the statistics produced by an institution that has been going through a serious legitimacy crisis for several years. Suddenly the World Bank has discovered that "400 million more people live in poverty than earlier thought." That's more than half the population of Sub-Saharan Africa!

According to a World Bank information release, "1.4 billion people in the developing world (1 in 4) were living on less than $1.25 a day in 2005," whereas previous estimates were around one billion people. With errors like this in World Bank poverty calculations, the whole edifice of current international anti-poverty policies falls apart. Structural Adjustment Programs (cuts in social spending, cost recovery in health and education sectors, export-driven agricultural policies and reduction of basic food crops, loss of food sovereignty, and so forth) imposed by the IMF and the World Bank since the start of the 1980s have worsened living conditions for hundreds of millions of people.

> The World Bank's methods of calculation are extremely dubious. It seems probable that with a more plausible method, we would see a more negative trend and much more widespread poverty. . . . Determination of a plausible concept of poverty must start from a conception of human beings' basic needs, and then go on to see what are the different products that would help us meet those needs. We must therefore consider as poor those people who cannot afford an adequate set of these products. . . . Such a concept of poverty corresponds to the usual meaning of the term "poverty" and moreover ensures that the poverty thresholds calculated on this basis for different years and different places have a uniform

> the resultant data hold their monopoly in international organizations and in academic research on poverty, we cannot claim to be dealing with the problem seriously.
>
> —THOMAS POGGE, Yale University, 2006

The World Bank's optimism about poverty reduction is ill-founded, to say the least.

- *Halve, between 1990 and 2015, the proportion of people who suffer from hunger*

According to the United Nations Food and Agriculture Organization, 848 million people were suffering from hunger between 2003 and 2005, a figure comparable to that of 842 million between 1990 and 1992.[14] But the situation has deteriorated seriously due to the explosion in food prices (see Q19), and in September 2008 the FAO revised its estimate upward, judging the trends to be "worrisome": 923 million people were undernourished in 2007, including 907 million in the developing world. Of these, 583 million were living in Asia, 273 million in Africa and the Middle East, and 51 million in Latin America.[15]

> The dramatic world food situation reminds us of the fragile balance between world food supplies and the needs of the world's inhabitants, and the fact that the previous commitments to hasten progress toward the eradication of hunger have not been fulfilled.
>
> —JACQUES DIOUF, FAO director-general, May 2008

According to the World Bank, "Nearly one-third of all children in developing countries are estimated to be underweight or stunted, and an estimated 30 percent of the total population in the developing world suffers from micronutrient deficiencies. Undernutrition is not only a threat to progress with poverty reduction; it is the underlying cause of over 55 percent of all child deaths."

countries that are particularly vulnerable due to the high levels of chronic undernourishment (over 30 percent), combined with a high dependency on grain and oil product imports." Certain countries show alarming percentages: the proportion of people suffering from hunger is 73 percent in Eritrea, 72 percent in the Democratic Republic of the Congo, and 67 percent in Burundi.[16]

OBJECTIVE 2—ACHIEVE UNIVERSAL PRIMARY EDUCATION

• *Ensure that, by 2015, children everywhere, boys and girls like, will be able to complete a full cycle of primary schooling*

The United Nations Educational, Scientific and Cultural Organization (UNESCO) reports with some severity on the meager progress made toward education for all: "Steady progress has been made since 1998 . . . but the pace is insufficient for the goals to be met in the remaining ten years to 2015."[17] In point of fact, some 100 million children are still not receiving primary education: 55 percent of them are girls. Schooling rates are even dropping in twenty-three countries.

Beyond these figures, the United Nations Millennium Project Overview Report 2005 declares that "most poor children who attend primary school in the developing world learn shockingly little."[18] UNESCO writes that "fewer than two-thirds of primary school pupils reach the last grade in 41 countries (out of 133 with data)." Thus there is a gap between the fact of attending school and the lasting acquisition of basic skills.

The World Bank has managed to become an obligatory partner in educational policymaking, edging out UNESCO by exploiting its status as creditor and sponsor.[19] This fact is significant. The World Bank is basically against the notion of free essential public services. It would like to see education privatized: low-cost public schools for the poor and quality private schools for the upper middle class and the wealthy.

The path to program failure is thus charted in advance. According to the World Bank, "38 percent of developing countries are unlikely to reach

off track." Yet a free, high-quality education system is vital if a country is to make the structural changes required to leave poverty behind.

OBJECTIVE 3—PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

• *Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015*

For UNESCO, "The 2005 gender parity target has been missed by 94 countries out of 149 with data: 86 countries are at risk of not achieving gender parity even by 2015; 76 out of 180 countries have not reached gender parity at primary level, and the disparities are nearly always at the expense of girls."

UNESCO goes on to say: "Women are less literate than men: worldwide, only 88 adult women are considered literate for every 100 adult men, with much lower numbers in low-income countries such as Bangladesh (62 per 100 men) and Pakistan (57 per 100 men)."

Yet education for girls would have a positive impact on many areas of daily life. Gender inequalities are still flagrant at various levels of human development. The fight for gender parity must be a priority, first of all on principle, but also because women play a leading role in improving family well-being and in the general development of communities and countries.

OBJECTIVE 4—REDUCE CHILD MORTALITY

• *Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate*

For the World Bank, "Progress on child mortality lags other MDGs, despite the availability of simple, low-cost interventions that could prevent millions of deaths each year. Oral rehydration therapy, insecticide-treated bednets, breastfeeding, and common antibiotics for respiratory diseases could prevent an estimated 63 percent of child deaths. Yet in 2005 only 32

The World Bank refrains from mentioning that with the debt crisis and structural adjustment policies (see Q17–18), it has indiscriminately imposed privatization of the health system, recovery of costs, reduction of health personnel, and employee precarity. All these measures have helped worsen a situation that had seen major advances over the period 1950–70.

Thus each day more than 30,000 children die of diseases that are easily curable. For the UNDP, these children are the "invisible victims of poverty."[20] In reality, it would often take only "simple and easily provided improvements in nutrition, sanitation and maternal health and education" to prevent these deaths.

OBJECTIVE 5—IMPROVE MATERNAL HEALTH

- *Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio*

Each year more than 500,000 women die of pregnancy- or childbirth-related complications. In Sub-Saharan Africa, one woman out of sixteen dies of complications arising from pregnancy or childbirth, as opposed to one woman out of 3,800 in the developed countries. According to the World Bank, there is little reliable data available, but where progress has been noted, it is "highly concentrated among richer households."

By enforcing the application of cost recovery policies in the area of health care, and especially prenatal care and delivery, the IMF and the World Bank contribute significantly to continuously high mortality rates. Many poor women no longer have access to prenatal care and delivery assisted by trained medical staff, simply because they cannot pay for it. Governments that agree to adopt such policies are guilty of non-assistance to persons in danger.

OBJECTIVE 6—COMBAT HIV/AIDS, MALARIA, AND OTHER DISEASES

- *Have halted by 2015 and begun to reverse the spread of HIV/AIDS*

By the end of 2006, 39.5 million people had been infected with the AIDS virus (two-thirds of them in Sub-Saharan Africa), which is 2.6 million more than in 2004 and 6.1 million more than in 2001. The epidemic is spreading fast in Asia and in the ex-Soviet bloc, while the number of AIDS sufferers in Sub-Saharan Africa is presently stationary. Nearly three million people died of AIDS in 2003, an increase of more than a third compared with the 2.2 million in 2001.

The situation is worsening, and yet the world has the financial means, the technical know-how, and the therapies to eradicate the disease. Too few sufferers have access to anti-viral medicines: only 700,000 were able to take advantage of them for the first time in 2006, as against 4.3 million new cases.

If so few have benefited, it is largely because the pharmaceutical laboratories jealously guard the patents that ensure juicy profits at the expense of the sick, and refuse to allow replication of the molecules their research-and-development departments have developed. This replication would allow Third World patients to benefit from treatment at a more reasonable price. To block initiatives by governments in the South to produce generic treatments, the pharmaceutical multinationals first took the legal route. In 1997, the South African government adopted health laws authorizing local companies to produce anti-AIDS treatments, or to import them, thus bypassing the patents of the big pharmaceutical companies. The same year, thirty-nine big companies lodged a complaint against South Africa.[21] Former U.S. vice president Al Gore, at the time head of the commission for bilateral relations between the United States and South Africa, took the matter in hand so as to defend the interests of the U.S. pharmaceutical industry.[22] Finally, under pressure from international public opinion and protests organized on U.S. university campuses, these multinationals withdrew their complaint. But far from admitting defeat, they took their cause to the World Trade Organization "compulsory license" allowing it to copy a treatment in the case of an emergency health situation. But only a few countries (India, Brazil, and Thailand, for example) had a pharmaceutical industry with the capacity to produce such treatments, a fact that very much reduced the scope of the measure. A few days before the next WTO summit in Cancún, Mexico, in 2003, another agreement was signed allowing the countries of the South, after having met drastic conditions, to bypass patent law and import generic treatments for AIDS. However, importing AIDS medicines proved to be neither easy nor effective: it was only four years later, in July 2007, that Rwanda, and Rwanda alone, managed to do so. In other words, the WTO fulfilled its mission at the behest of the multinational drug companies: ensure their mega-profits by slowing down access to generic medicines for patients in the South. Is it surprising then that the Millennium Goal concerning AIDS cannot be achieved?

> I don't see why the pharmaceutical industry should be expected to make special efforts. No one asks Renault to give cars to those who don't have one.
>
> —BERNARD LEMOINE, director general, French Pharmaceutical Industry Union, 2000

• *Halt by 2015 and begin to reverse the incidence of malaria and other major diseases*

In 1970, the annual number of malaria-related deaths had dropped to 500,000. A major reverse trend followed: according to the World Bank, malaria now affects between 300 million and 500 million people per year and causes some 1.2 million deaths, mainly children, most of them in Africa. Malaria has even reemerged in regions where it had completely disappeared, such as the Middle East and Turkey.[23] The World Health Organization (WHO) reports that a child dies of malaria every thirty seconds.[24] The economic consequences are easy to imagine.

Yet solutions do exist. The use of insecticide-treated mosquito nets[25]

measures is the most effective way to avoid contracting malaria. But it is never enough, and must be accompanied by public policies designed to sanitize the environment, in particular by reducing areas of stagnant water, which are an ideal breeding place for mosquitoes. The problems of housing and drainage are therefore closely related to the problem of malaria.

Tuberculosis is another major cause of mortality, with at least 1.6 million deaths per year, mainly among the most deprived, who have no access to treatment (195,000 of them HIV-seropositive). For the United Nations, the total number of cases continues to rise: 8.8 million in 2005, including 7.3 million in Sub-Saharan Africa and Asia.[26]

It is vital that we learn from the failure of recent international health policies. It is vital that we question new institutional structures in the health care sector (public-private partnerships, the emergence of "global health governance" in which partnerships and private foundations take the lion's share). But above all, it is vital to understand that health is mainly determined by social factors, and to attack the structural causes of the present failures: the spread of malaria and tuberculosis is closely related to undernourishment, insufficient income, absence of health equipment and trained staff, together with the neoliberal policies dictated by the World Bank and the IMF and meekly implemented by the overwhelming majority of governments. In consequence, improved public health must go hand-in-hand with increased spending on health care (increased services, improved quality, more staff, higher wages, better training), investment in sanitation services (waste water drainage and purification), and thorough reform of the neoliberal model that has brought about the collapse of health systems. The damage inflicted on people's health is just a fraction of the overall social damage inflicted by this model.

> It is an indication of the topsy-turvy world in which we live that the doctor, the schoolteacher or the nurse feel more threatened by financial conservatism than does the general and the air marshall.
>
> —AMARTYA SEN, Nobel Laureate in Economics, "Health and Development," keynote address to the 52nd World Health Assembly, Geneva, May 1999

OBJECTIVE 7—ENSURE ENVIRONMENTAL SUSTAINABILITY

• *Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources*

The issue of fishing is crucial because fish provides at least 20 percent of the required daily animal proteins to 2.6 billion people. But the situation has become critical. From the FAO: "Overall, more than 75 percent of world fish stocks for which assessment information is available are reported as already fully exploited or overexploited (or depleted and recovering from depletion), reinforcing earlier observations that the maximum wild capture fisheries potential from the world's oceans has probably been reached."[27]

In addition, still according to the FAO, "the world lost about 3 percent of its forest area from 1990 to 2005," which means that 105 million hectares (one hectare equals about 2.47 acres) of forest have disappeared in fifteen years.[28] Regional disparities are considerable: deforestation almost exclusively affects countries that are characterized "*by developing economies and tropical ecosystems,*" and some very vulnerable populations depend on forests for their very existence.

Deforestation not only leads to loss of biodiversity and food sources for many people, but it is also a major factor in the current climate change process. According to the United Nations, "Between 18 and 25 percent of greenhouse gas emissions is caused every year by deforestation." In this regard, CO_2 emissions are the main threat: they are still on the rise, and even doubled in Southeast Asia and North Africa between 1990 and 2004. In 2006, China for the first time became the world's leading source of CO2 emissions in absolute figures. But let's not be misled by this fact. Carbon dioxide emissions, which in 2004 amounted on a global scale to 29 billion tons, are principally the consequence of the activities of rich countries if correlated to the number of inhabitants.

> In 2004, the rate in developed regions was an average 12 tons per person. West Asia, which among developing regions had the highest emissions per inhabitant, produced less than half this amount. The rate per inhabitant in Sub-Saharan Africa amounted to less than a tenth of CO_2 emissions produced by one person in the developed world.
>
> —UNITED NATIONS

According to the UNDP, we need to devote 1.6 percent of global GDP (some $720 billion in 2008) simply to stop accelerating climate change, but the United States regularly opposes any restrictive and quantifiable commitment. The responsibility of the prevailing economic model is insufficiently emphasized. As the UNDP stated in its 2007 World Report on Human Development, "One of the hardest lessons taught by climate change is that the economic model which drives growth, and the profligate consumption in rich nations that goes with it, is ecologically unsustainable."

• Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation.

Access to water has high symbolic significance in the context of the Millennium Goals. The UNDP made it the theme of its 2006 World Report on Human Development. Behind this vital issue one senses the failures and cowardice of the world's big moneylenders.

The present situation is nothing short of disastrous. According to the UNDP: "Today, some 1.1 billion people in developing countries have inadequate access to water, and 2.6 billion lack basic sanitation." The human consequences are, of course, intolerable. The UNDP report states that absence of hygiene and lack of drinking water "together contribute to about 88 percent of diarrhea-related deaths—more than 1.5 million—among children under five. Infestation by intestinal worms caused by defecating in the open affects hundreds of millions of mainly school-age children, resulting in reduced growth, physical debilitation and cognitive impairment." Everything, in other words, is interrelated.

> Most of the 1.1 billion people categorized as lacking access to clean water use about 5 litres a day—one-tenth of the average daily amount used in rich countries to flush toilets. . . . Dripping taps in

rich countries lose more water than is available each day to more than 1 billion people.

—UNITED NATIONS DEVELOPMENT PROGRAM

The scale of inequalities in the matter of access to water is enormous. Yet the problem is far from insoluble, since it is rooted "*in institutions and political choices, and not in water availability.*" To ensure universal access to drinking water and basic sanitation (waste water drainage is fundamental to radically reduce the number of malaria-carrying mosquitoes) decisive opposition must be mounted against privatization of water distribution services as imposed by the World Bank to the huge benefit of the transnationals that control the sector (in particular Suez Ondéo, Véolia Water, and Saur). And protests must also be made against the inclusion of water in the WTO's General Agreement on Trade in Services (GATS). Fortunately, several successful grassroots protests have taken place (for example in Bolivia in Cochabamba in 2000 and in El Alto in 2003–4) demanding that water be returned to, or remain under, public control.[29] The right to drinking water must be made tangible by ensuring that every person has fifty liters of drinking water per day. Water is one of the world's public goods, and an important part of our world heritage.

• *Achieve by 2020 a significant improvement in the lives of at least 100 million slum dwellers*

By definition, a slum is a dwelling in which at least one of the three basic housing conditions is lacking: adequate hygiene, an adequate water supply, a lasting structure, or sufficient living area. Increased urban migration and demographic growth have severely aggravated the problem. In 2005, according to the United Nations, 37 percent of town dwellers lived in a slum, but the figure is 62 percent for Sub-Saharan Africa and even 80 percent for Chad, the Central African Republic, and Ethiopia.

As of 2008, more than half the world's inhabitants live in an urban

reflects the violence of capitalistic plunder organized on a planetary level: the shantytown is the only possible horizon for the impoverished masses because "with a veritable great wall of high-tech border controls preventing any migration to rich countries, shantytowns remain the only really accessible solution to the problem of storing this century's human surplus."[30]

OBJECTIVE 8—DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

This last goal is a departure from the previous ones and gives a precious insight into the logic behind the Millennium Development Goals. It outlines the methods necessary for trying to achieve the first seven goals. The deception becomes evident: the developing countries are to have no say in the measures to be applied and no right to question the macroeconomic choices decided on by the major powers.

Let us look more closely. The targets set out are of two kinds:

1. They are declarations of good intent such as "Address the special needs of landlocked developing countries and small island developing states"; "In cooperation with developing countries, develop and implement strategies for decent and productive work for youth"; or "Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term."

2. They carry strong restrictions that go counter to an improvement of the human situation in developing countries: "Develop further an open, rule-based, predictable, non-discriminatory trading and financial system." This implies giving up all forms of protection for the economies of the South and is strangely reminiscent of the famous "free and undistorted competition" that caused a majority of French and Dutch citizens to vote no to the referendum on the

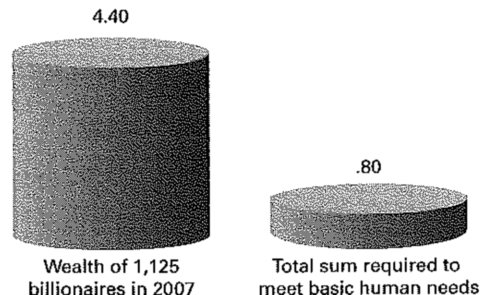
The text states: "Address the special needs of the Least Developed Countries (includes tariff- and quota-free access for Least Developed Countries' exports, enhanced program of debt relief for heavily indebted poor countries and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction)." This text proposes waiving quotas and tariffs for the poorest countries, a charitable measure, but does not question the commercial rules that are unfavorable to poor countries, nor the history behind the debt, nor what is contained in development assistance.

The sentence "In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries" means finding a solution to health issues, including the AIDS problem, based on the requirements of the pharmaceutical multinationals, which rules out any acceptable solution!

Finally, "In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies." This also means not displeasing the private companies in the sector, whereas this target concerns public policies on which everything depends.

So not only do the Millennium Development Goals lack the necessary vigor to achieve the objective of basic rights for all, but worse, they discreetly impose economic measures that have already proven powerless to reduce poverty wherever they have been scrupulously applied. Beyond the obvious failure is the subtle deception: the MDG has no chance of succeeding since they refuse to question the current economic context that has made them necessary.

Comparison between the Wealth of the World's Billionaires and Annual Amount Required to Meet the World's Basic Human Needs (in trillions)



MORE INTERESTING FINDINGS ON HUMAN DEVELOPMENT

According to figures published by *Forbes* magazine in March 2008, the number of the world's billionaires in 2007 was estimated at 1,125 (as opposed to only 946 the previous year and 497 in 2001). The cumulative wealth of these billionaires amounts to $4.4 trillion, while it was "only" $1.5 trillion six years earlier.

Now it would take $80 billion over ten years, or a total of $800 billion, to provide the world's people with essential social services, such as access to basic health care, drinking water, sanitation, and primary education.[31] This would be a fundamental step forward for a large majority of the world's inhabitants.

An exceptional 20 percent tax on the fortunes of this handful of billionaires would provide the amount needed to ensure, in ten years, the fulfilment of elementary needs for all.

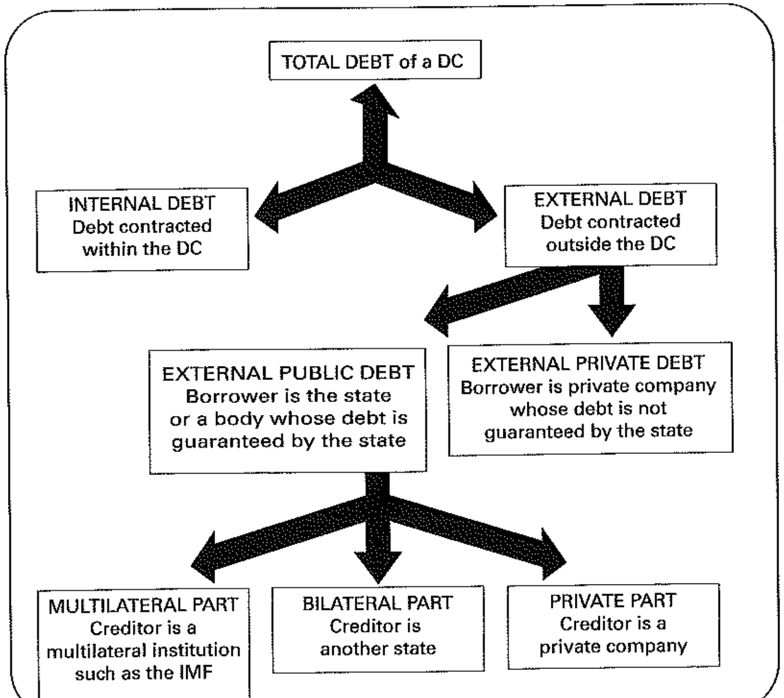
This example is simply to show that solutions exist. To identify the others, we must understand the mechanisms in play.

> When I give food to the poor, I am called a saint. But when I ask why the poor have nothing to eat, I am called a troublemaker.
>
> —DOM HELDER CAMARA, Brazilian prelate, archbishop of Recife from 1964 to 1985

QUESTION 5

What are the different kinds of debt for developing countries?

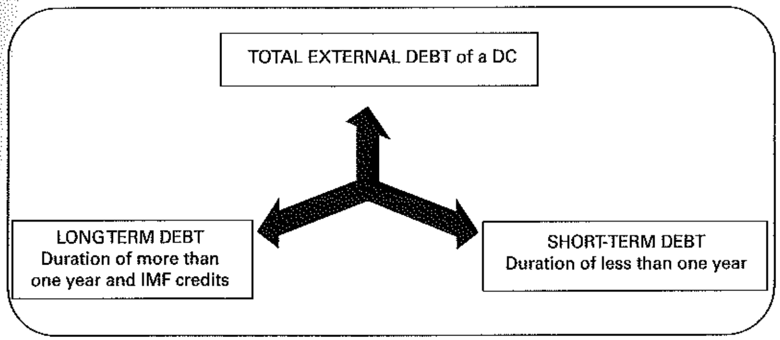
Before examining the impact of debt, the vocabulary of debt needs to be clarified. The total debt of a country is composed of *internal debt* (contracted with a creditor within the country) and *external debt* (contracted with a foreign creditor). A country's internal debt is in principle expressed in terms of the local currency.[32] This debt has risen sharply since the second half of the 1990s with the impetus of the World Bank and the IMF. In 2007, the internal public debt was three times the amount of the external public debt. This is why we will be returning to the subject later (see Q29). For the time being, we will give our attention to the external debt.



> I do not say that we should isolate ourselves as we have done in the past, but we are not trying to find out how to develop our country. We are trying to sell our country to foreigners for them to develop it in our stead. We are still in a colonial relationship whereby, in our own land, we Africans own nothing, control nothing, and manage nothing. Soon we will be foreigners in our own land.
>
> —FRED M'MEMBE, editor, *The Post* (Zambia), in *Washington Post*, April 22, 2002

The external debt of developing countries can be broken down into external public debt and external private debt. The former is contracted by the government—the state, local authorities, or public bodies—or by private bodies whose debt is guaranteed by the state. *External private debt* is contracted by private companies—for example, the subsidiary of a Northern multinational firm, a local bank, or a local industrial company—and is not guaranteed by the state.

Moreover, the external public debt can be broken down into three parts depending on the nature of the creditors. The *multilateral part* is lent by a multilateral institution such as the IMF, the World Bank, or another international institution.[33] The *bilateral part* is lent by another state, and the *private part* is lent by a private bank or comes from debt securities issued by the country on an international financial market. Two further debt categories exist, based on the length of the loan:



It should be noted that short-term debts are largely private debts. The

QUESTION 6
What part did private banks play in the development of developing countries' external debts in the 1960s and 1970s?

After the Second World War, the United States unilaterally set up the European Recovery Program (ERP) for the reconstruction of Europe, a program better known as the Marshall Plan. Proposed by George C. Marshall, U.S. secretary of state in 1947, the plan made it possible for the United States to massively invest in the European economy, with a double objective in mind: help European countries get back to a position in which they could again be trade partners, and prevent a deteriorating economic situation that might have led to a shift by these countries to the Soviet bloc. About $13 billion (the equivalent of $100 billion today) went to Europe, including over $11 billion in the form of gifts.[34] Sixteen West European countries benefited from it (the USSR and East European countries were not eligible).

As a consequence, more and more dollars were sent out of the United States, their territory of issue, and started circulating around the world. In accordance with the agreements signed at Bretton Woods in 1944, which were valid until August 1971, these dollars could be converted into gold. But the U.S. monetary authorities had no interest in exchanging large quantities of gold present in their vaults against dollars they had issued themselves, especially since an excessive number of returning dollars might have led to an inflationary surge. From the

Countries Benefitting from the Marshall Plan (in $ million)

COUNTRY	TOTAL	GIFTS	LOANS
Austria	677.8	677.8	–
Belgium / Luxembourg	559.3	491.3	68.0
Denmark	273.0	239.7	33.3
France	2,713.6	2,488.0	225.6
Germany (FRG)	1,390.6	1,173.7	216.9
Greece	706.7	706.7	–
Iceland	29.3	24.0	5.3
Ireland	147.5	19.3	128.2
Italy (including Trieste)	1,508.8	1,413.2	95.6
Netherlands (and Indonesia)	1,083.5	916.8	166.7
Norway	255.3	216.1	39.2
Portugal	51.2	15.1	36.1
Sweden	107.3	86.9	20.4
Turkey	225.1	140.1	85.0
United Kingdom	3,189.8	2,805.0	384.8
Regional	407.0	407.0	–
TOTAL	**13,325.8**	**11,820.7**	**1,505.1**

Source: *The Marshall Plan: Fifty Years After*, 2001

second half of the 1960s they attempted to curb the demands for dollar conversion into gold and did all they could to keep the greenbacks in Europe. This is why in the 1960s Western banks were brimming with dollars—called "eurodollars." To ensure that they got profit from them, these private banks lent them at favorable conditions to countries of the South wishing to finance their development, particularly newly independent African and Asian countries and rapidly industrializing Latin American countries. They also covered—or indeed systematically encouraged—misappropriation of these loan funds, thus retaining or recovering a much appreciated control over the decisions made by the leaders of borrowing countries, whose actual motivations could be far removed from the wish to develop their countries. These banks offered

leaders the opportunity to open numbered accounts where such misappropriated money could be safely stashed away. Should the countries concerned threaten to suspend repayment of the debt, the banks could counter this threat by blocking the numbered accounts. This complicity on the part of the banks allowed them to establish strong customer loyalty with these leaders.

From 1973 onward, the rise in the price of oil, commonly called the first "oil shock," ensured comfortable revenues to oil-producing countries. This money was placed in Western banks, thus increasing the problem. Again, banks offered petrodollar loans at enticingly low rates to countries of the South (including oil exporting countries such as Mexico, Algeria, and Venezuela that had no need of them and yet contracted heavy debts). All those loans from private banks made up the private part of the developing countries' external debts. While it was close to zero in the early 1960s, this private part of the debt reached $36 billion in 1970 and $380 billion in 1980.

QUESTION 7

What part did the World Bank play in the development of the developing countries' external debts in the 1960s and 1970s?

The second player contributing to the indebtedness of the developing countries during these two decades is the World Bank. An institution created at Bretton Woods in 1944, it considerably increased its loans to Third World countries from 1968 onward, when Robert McNamara was head of its board.

It is interesting to have a closer look at McNamara's background. He became the first CEO of the Ford automobile corporation who was not a member of the Ford family, but after five weeks he left this position and became U.S. defense secretary in the administration of John F. Kennedy (1961–63), a position he retained under President Lyndon Johnson (1963–68). McNamara was thus one of the main devisers of U.S. military aggression in Vietnam. He exerted repeated pressure to send more and more troops, totaling over 500,000 soldiers. Around one million

Vietnamese communist fighters and four million civilians were killed between 1961 and 1975. Years later, McNamara would recognize his errors: "We of the Kennedy and Johnson administrations who participated in the decisions on Vietnam . . . were wrong, terribly wrong." He added: "I had never been to Indochina and did not understand its history, its language, its culture, its values. I wasn't sensitive to it at all. . . . When deciding about Vietnam we were facing a terra incognita."[35] In 1968, when the situation had become inextricable for the United States, McNamara was appointed head of the World Bank.[36] In this position he acted like a missionary in an anticommunist campaign.[37] He experienced this period in his life as a resurrection.[38]

McNamara's arrival in 1968 marked a change in World Bank policies. It started using debts as a geopolitical weapon. From 1968 to 1973 (five years), the World Bank granted more loans than from 1945 to 1968 (twenty-three years). It also invited countries of the South to contract massive loans to finance the modernization of their exporting industry and be more closely connected to the world market. Indeed, McNamara pushed countries of the South to accept the conditions of these loans, pointless infrastructures, insufficient social budgets, expensive dams erected in destroyed landscapes, and crushing debts. The bait was simple: cash made available to established governments without any attempt at curbing corruption and embezzlement. In exchange, leaders accepted more recommendations from the World Bank.

The support the World Bank brought to countries of the South was related to the geopolitical interests of the Western bloc. After 1945, in the Cold War period, the two superpowers, the United States and Soviet Union, accumulated weapons and indirectly confronted each other through the extension of their respective influence zones.

In the 1950s and 1960s, numerous countries initiated their own particular political experiments. After a relentless struggle, first Asian then African countries managed to bring about their decolonization. Some of those countries wanted to move away from the former colonial powers. They convened for the first time in 1955 in Bandung (Indonesia). The conference marked the emergence of the Third World on the international scene and was the prelude to the nonaligned movement that was launched officially in 1961 in Belgrade (Yugoslavia).

The World Bank took action to counter Soviet influence and various nationalist and anti-imperialist initiatives. This action was in the financial sphere. As French MP Yves Tavernier put it in the *French National Assembly Finance Commission's Report on the Activities and Control of the IMF and the World Bank*, the World Bank's role "was to win over Third World custom, to the advantage of the Western world."[39] It was a two-edged strategy: the loans would be used both to support allies and to bring recalcitrant countries under control.

On the one hand, the World Bank supported the United States' strategic allies in different regions of the world (Joseph Mobutu in Zaire from 1965 to 1997, Mohamed Suharto in Indonesia from 1965 to 1998, Ferdinand Marcos in the Philippines from 1965 to 1986, the Brazilian dictatorship from 1965 to 1980, Augusto Pinochet in Chile from 1973 to 1990, the generals Videla and Viola in Argentina from 1976 to 1983, and many others) to strengthen the zone of U.S. influence.

> I cannot see why we should allow a country to become Marxist just because its people are irresponsible.
>
> —HENRY KISSINGER, as Salvador Allende was overthrown by Pinochet's coup in Chile, 1973

On the other hand, the World Bank granted conditional loans to the countries that were trying to implement policies that did not comply with the dominant capitalist model. It would offer them the capital needed, telling the countries that the export of the raw materials they produced would be enough to cover both repayments and the modernization of their industrial base. By this means the World Bank acquired the right of inspection over the economic policies practiced by these countries, and strove to halt the development of independent policies and to bring a number of leaders who were moving away (for example, Gamal Abdel Nasser in Egypt from 1954 to 1970 and Kwame N'Krumah in Ghana from 1960 to 1966) back under the aegis of the great industrial powers. When any leaders of the South refused to comply, the Northern powers did not hesitate to overthrow and replace them with dictators (the assassinations of Patrice Lumumba in the former Belgian Congo in 1961, Sylvanus Olympio in Togo in 1963, and Salvador Allende in Chile in 1973—and later, Thomas

Sankara in Burkina Faso in 1987) or to organize military intervention (U.S. interventions in Santo Domingo in 1965, in Vietnam, in Cuba through the intermediary of mercenaries in 1961; French interventions in Gabon in 1964 to restore Léon M'ba to power, in Cameroon several times during the 1960s in support of the government of Ahmadou Ahidjo, in Chad several times since 1960, in the Central African Republic in 1979 to install David Dacko after a putsch, as well as many others). When such actions fall through, as was the case with Fidel Castro, who has been in power in Cuba since 1959, the country is ostracized from the community of nations, which is once again a high price to pay.

Geopolitical data are thus part of the backdrop to the process through which countries of the South contract debts. Those loans, added to those from other multilateral institutions,[40] functioning along the same kind of logic, and to the IMF loans, made up the multilateral part of the public external debt. From a low in the early 1960s, this multilateral part increased to $8 billion in 1970, then $58 billion in 1980, including $32 billion to the World Bank and $12 billion to the IMF.

> In many cases, the loans were used to corrupt governments during the Cold War. The issue was not whether the money was improving a country's welfare, but whether it was leading to a stable situation, given the geopolitical realities of the world.
>
> —JOSEPH STIGLITZ, chief economist of the World Bank from 1997 to 1999, Nobel Laureate in Economics in 2001, appearing on French televison's *L'Autre mondialisation* (The Other Globalization), on Arte, March 7, 2000

QUESTION 8
How does the World Bank function?

The International Bank for Reconstruction and Development (IBRD) was established at Bretton Woods in July 1944, at the initiative of forty-five countries that had come together for the first monetary and financial conference of the United Nations. In 2010, it had 186 member countries, with Kosovo its latest addition (it joined in June 2009).[41]

The IBRD's initial objective was to supply public capital for the reconstruction of Western Europe after the Second World War so that it remained a stable ally and provided a market for the goods manufactured in the United States. It later shifted to financing the development of countries of the South, becoming, to use its own words, "a vital source of financial and technical assistance to developing countries around the world."[42] The strategy behind this assistance is hardly neutral and most controversial.

Four other bodies were later formed, to make what is known as the World Bank Group. These are the International Finance Corporation set up in 1956 to finance the private sector in developing countries; the International Development Association (IDA), in 1960, for loans to the poorest countries; the International Center for Settlement of Investment Disputes in 1966 (a court to which private companies can turn if they consider that their interests were slighted by a public decision, even if democratically taken by a government that cares for people's living conditions); and the Multilateral Investment Guarantee Agency in 1988 to encourage investment in the developing countries.

The World Bank includes the IBRD and the IDA. In 2008, it had about 7,000 employees in Washington, D.C., and 3,000 in some thirty country offices worldwide. From 1945 to 2007, the IBRD lent $433 billion to its various borrowers while the IDA committed itself for $181 billion. At the end of 2005, the World Bank had $200 billion in outstanding credit.[43]

Each member country appoints a governor as its representative, generally its finance minister, and in some cases the minister for development. They come together within the Council of Governors (CG), which is the World Bank's executive committee. The CG sits once a year (in the fall, two years out of three in Washington) and decides on general objectives. It is in charge of major decisions, such as accepting new member countries or preparing the annual budget. The spring meeting (held jointly with the IMF in Washington) evaluates the impact of the World Bank's and IMF's actions. These two meetings are the occasion of protest demonstrations and increasingly visible counter-summits.

For the daily running of the World Bank's missions, the Council of Governors delegates its power to a Board of Executive Directors that consists of twenty-four members. Each of the following eight countries has the privilege of appointing a director: United States, Japan, Germany, France, United Kingdom, Saudi Arabia, China, and Russia. The other sixteen are appointed by groups of countries with often surprising boundaries: a rich country is usually associated with a group of developing countries, and of course it is the rich country that holds a seat on the Board of Executive Directors and votes for all countries in the group. For instance, an Austrian director represents the group that consists of Austria, Belarus, Belgium, Hungary, Kazakhstan, Luxembourg, Slovakia, Czech Republic, Slovenia, and Turkey.[44] Similarly, Switzerland is head of the group that is ironically called Switzistan since it consists of Azerbaijan, Kyrgyzstan, Poland, Serbia, Switzerland, Tajikistan, Turkmenistan, and Uzbekistan.

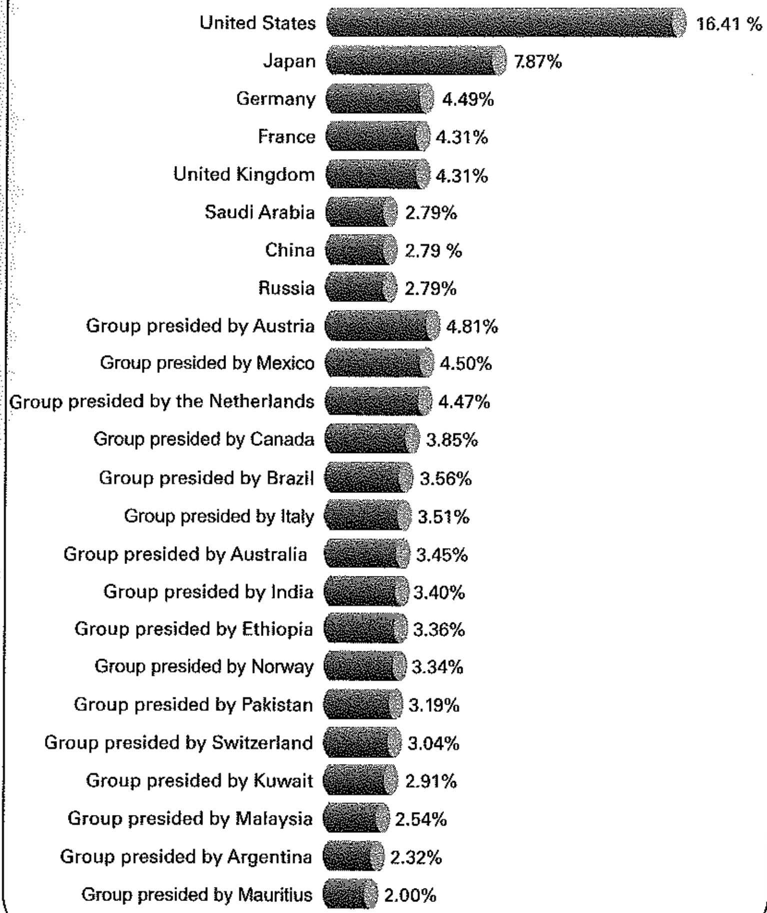
The Board of Executive Directors, which meets at least three times a week, elects a president for five years. Against all democratic principles, a tacit rule determines that the position must go to a U.S. representative who has been selected by the U.S. president. The Board of Executive Directors merely sanctions the choice. From 1995 to 2005, the ninth president of the World Bank was James D. Wolfensohn. Formerly director of the Business Bank sector of Salomon Brothers in New York and Australian-born, he had to become a U.S. citizen to be appointed to this strategic post.

In March 2005, U.S. President George W. Bush appointed Paul Wolfowitz president of the World Bank. As a former Pentagon top gun, Wolfowitz was one of the instigators of the invasion of Iraq in March 2003 by an armed coalition led by the United States. In April 2007, while he posed as a leader of the struggle against corruption, Wolfowitz was strongly criticized for having granted a substantial rise in salary to his partner, Shaha Riza, who also worked at the World Bank. Wolfowitz, who had been caught in the act, had no option but to resign, despite the continued support of George W. Bush. According to the same tacit rule, he was replaced by a Bush appointee, namely Robert Zoellick, who had been successively head of the first President Bush's cabinet in the early 1990s, trade secretary in the early 2000s, and number two at the State Department next to Condoleezza Rice from January 2005 to June 2006. After that, he worked for Goldman Sachs, one of the world's biggest investment banks.

Still, there is considerable room for making global institutions more democratic. Many proposals have been made to remove such patently undemocratic practices as the veto on the UN Security Council and the way the leaders of the IMF and World Bank are selected.

—UNDP, *Global Human Development Report*, 2002

Distribution of Voting Rights among World Bank Directors in 2008



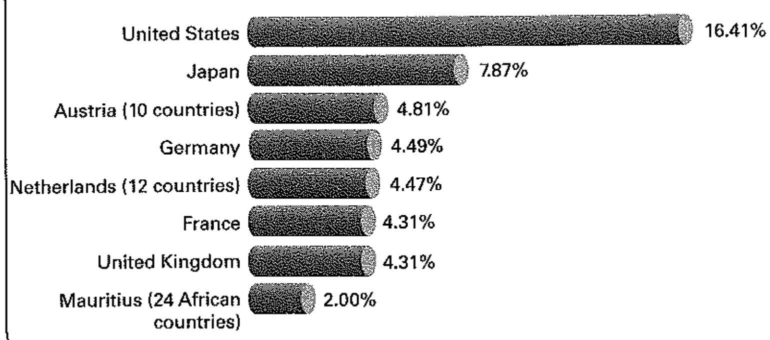
Source: World Bank

Each member country in the World Bank is granted a quota that determines what influence it can (or cannot) have within the bank. From this quota (established in relation to its economic situation), a complicated reckoning determines the country's voting power: a fixed part of 250 votes and a part that is proportional to its quota. Contrary to what happens at the UN General Assembly, where each country has one vote (with the major exception of the Security Council where five countries hold a right of veto), the World Bank system amounts to $1 = one vote. But contrary to a company's shareholders, a country cannot decide to increase its World Bank quota in order to have more weight. The system is completely locked.

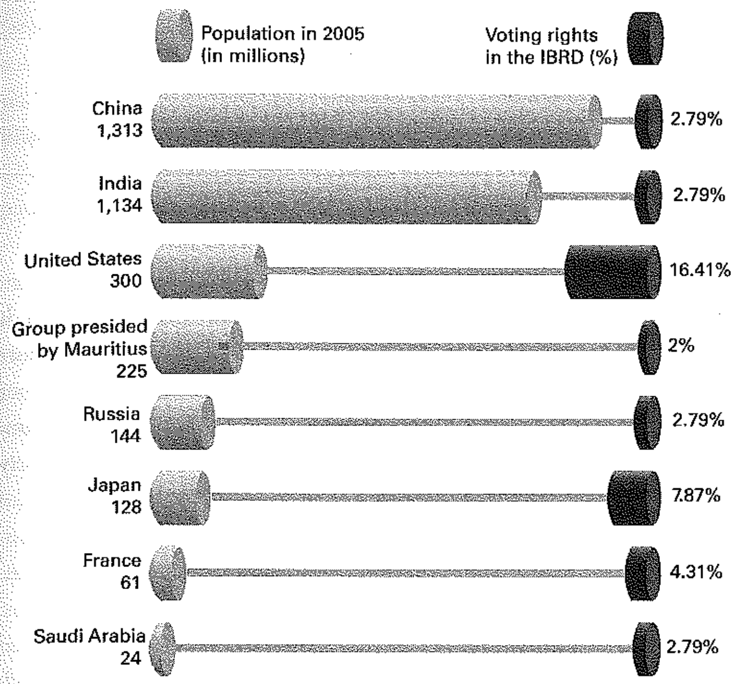
As can clearly be seen, the developing countries cannot counter countries of the Triad, which have a lion's share and thus can ensure the ways and means of systematically imposing their policies.

The scandal is not limited to the unfair distribution of voting rights. The United States fashioned this institution to its requirements and managed to enforce the rule that all major decisions can be made only with a majority of 85 percent of votes. As it is the only country with more than 15 percent of voting rights, it can, de facto, block any major change in the World Bank. The E.U. countries that could also reach 15 percent are generally content with ratifying the U.S. position. On the few occasions when

Voting Rights for some IBRD Directors in 2008



Number of Inhabitants and Voting Quota at the IBRD



Source: World Bank; UNDP, *Global Human Development Report, 2007*

European countries joined forces and threatened to use the blocking minority, it was in defense of their own selfish interests.[45] In the future, we could imagine a coalition of developing countries reaching a blocking minority to oppose the election of the next U.S. candidate as president of the World Bank. In any case, so far the U.S. Treasury is the undisputed skipper and can freeze any change that would not fit its views. The physical location of the institution's headquarters in Washington, a stone's throw from the White House, is significant. Over the years, readjustments in the voting rights led to the emergence of new nations. But though the

> Some blame the Bank's dispersion on its main shareholder (the United States), which, in view of the reduction of its bilateral aid program, considers the institution as a particularly useful instrument for exerting its influence in the developing countries. It can then be used as a source of funding to be granted to its friends and denied to its enemies.
>
> —YVES TAVERNIER, French MP, French National Assembly Finance Commission's Report on the Activities and Control of the IMF and the World Bank, 2001

The International Development Association (IDA) is officially just an association, but it is tied up with the IBRD, which runs it. In 2008, it numbered 167 member states, of which 78 (and 39 of those in Africa) met the conditions to benefit from its loans, that is, an annual income per inhabitant of less than \$1,095 (figure updated each year). These countries borrow over long periods (usually between thirty-five and forty years, with an initial deferral of ten years) and at very low interest rates (of around 0.75 percent). The money comes either from the richest countries, which reconstitute the IDA fund every three years, or from the benefits the IBRD derives from repayments by middle-income countries. Notice the IDA's principles are apt to change when it suits the World Bank: China can borrow both from the IBRD and from IDA even though the income per capita is well over \$1,095.

The other developing countries borrow from the IBRD at rates close to going market rates. The IBRD is careful to select profitable projects, just like a normal bank. The World Bank gets the money it needs for these loans by borrowing on the money markets. Indeed, the World Bank, guaranteed by the rich countries that are its biggest shareholders, is solid enough to get money at very good rates. Then the IBRD lends it out to the member countries, which repay the loans over a period of fifteen to twenty years.

Such a privileged position for borrowing from the markets enables the IBRD to set money aside for running costs and even to make profits: between \$1 billion and \$3 billion a year. Of the \$24.7 billion of World Bank loans in 2007, more than half were made through the IBRD: \$12.8 billion, in comparison with \$11.9 billion for the IDA.[47]

As indebtedness has grown, the World Bank, in conjunction with the IMF, has increasingly turned to actions aimed at producing macroeconomic effects and imposed more and more structural adjustment policies (see Q17 and Q18). The Bank does not hesitate to "advise" the countries subjected to IMF therapy on the best ways to promote a most controversial kind of growth—through reducing budget deficits, attracting foreign investors, liberalizing their economies, and opening markets (and doing away with all protection of their local economy). It even directly participates in the financing of such reforms through specific loans.

> Is it reasonable that the World Bank should be giving its support to private small-scale business projects for access to water and electricity, instead of contributing to the construction of public systems? Should the World Bank be financing private systems of health and education?
>
> —YVES TAVERNIER, French MP, French National Assembly Finance Commission's Report on the Activities and Control of the IMF and the World Bank, 2001

QUESTION 9
What part did the governments of countries of the North play in the evolution of the developing countries' external debt in the 1960s and 1970s?

Though not the direct cause of the global economic crisis in 1973–75, the 1973 oil shock marked for countries of the North the end of the period of sustained growth that came after the Second World War. Between 1973 and 1975, these countries were hit by a major recession, with massive unemployment. The rich countries then decided to distribute purchasing power to countries of the South, so as to entice them to buy goods from the North. This led to loans from state to state, often in the guise of export credits—what is called tied aid. For instance, France might have loaned ten million francs at a low interest rate to an African country on condition that it bought ten million francs' worth of French goods. This amounted to a subsidy to companies in the creditor country, while the population of the debtor country paid interest! This is how the bilateral part of the developing countries' external debt came into being. Although it was very low in the early 1960s, it reached $26 billion in 1970, then $103 billion in 1980.

Until the end of the 1970s, indebtedness remained tolerable for countries of the South because interest rates were low and those loans enabled them to produce and thus export more, which meant getting strong currency (from the export sales) in order to repay the loans and invest the remainder. But the rise in the developing countries' external debt was exponential: though very low in the early 1960s, it reached $70 billion in 1970, and $540 billion in 1980. It rose eightfold in ten years.

[TESTIMONY]
John Perkins in Ecuador

In his book, *Confessions of an Economic Hit-Man*, John Perkins tells of the part he played in the 1970s when he was head of a U.S. electrical engineering company that had covert connections with the CIA and the Pentagon.[48] His mission was "to encourage world leaders to become part of a vast network that promotes U.S. commercial interests. In the end, those leaders become ensnared in a web of debt that ensures their loyalty. We can draw on them whenever we desire—to satisfy our political, economic, or military needs. In turn, they bolster their political position by bringing industrial parks, power plants, and airports to their people. The owners of U.S. engineering/construction companies become fabulously wealthy."

But he also worked with progressive people such as President Jaime Roldós in Ecuador: "Jaime Roldós was moving forward. He took his campaign promises seriously and he was launching an all-out attack on the oil companies. . . . The oil companies reacted predictably—they pulled out all the stops. . . . [They] tried to paint the first democratically elected president of Ecuador in modern times as another Castro. But Roldós would not cave in to intimidation. . . . He delivered a major speech at the Atahualpa Olympic Stadium in Quito and then headed off to a small community in southern Ecuador. He died there in a fiery helicopter crash, on May 24, 1981." As indeed the president of Panama, Omar Torrijos, who at about the same time wanted to renegotiate the treaty that ceded to the United States the

area along the Panama Canal, also fell victim to an accident. Perkins is convinced that there was nothing accidental about these untimely deaths. "They were assassinated because they opposed that fraternity of corporate, government, and banking heads whose goal is global empire. We EHMs failed to bring Roldós and Torrijos around, and the other type of hit men, the CIA-sanctioned jackals who were always right behind us, stepped in."

The balance is all too clear: "Ecuador is awash in foreign debt and must devote an inordinate share of its national budget to paying this off. . . . The only way Ecuador can buy down its foreign obligations is by selling its rain forests to the oil companies." In short, by trampling Ecuador's sovereignty which is supposed to be inalienable, "the global empire demands its pound of flesh in the form of oil concessions."

John Perkins was back in Ecuador on May 22, 2007, to apologize to the Ecuadorian people. Other people equally responsible for illegitimate debts ought to follow suit.

QUESTION 10
How was the borrowed money used in the developing countries?

The populations hardly benefited from the loans contracted by the leaders of the countries of the South. Most were contracted by dictators who were the strategic allies of the great powers of the North. One only has to study the list of the most heavily indebted countries in 1980 to find a high proportion of regimes with close political ties to the Triad, often authoritarian to boot.

A sizable proportion of the sums borrowed was embezzled by corrupt regimes. They were all the more ready to lead their countries into debt since they were able to skim off commissions for themselves with the complicity of the other instigators of indebtedness. How could Mobutu Sese Seko, who had ruled Zaire for over thirty years, leave a fortune when he died estimated at $8 billion, equivalent to two-thirds of his country's debt? Not to mention the accumulated wealth of those close to him. And how is it that in Haiti, in 1986, the external debt came to $750 million when the Duvallier family, which had ruled for thirty years (first François—known as Papa Doc, then Jean-Claude—known as Baby Doc) fled to the French Riviera with a fortune estimated at more than $900 million? How else can we explain the newly acquired wealth of the Suharto family in Indonesia, whose fortune, when they were routed in 1998 after reigning for thirty-two years, was estimated at $40 billion, at a time when the country was in utter depression?

Sometimes, as in the case of the Argentine dictatorship (1976–83), the situation was ludicrous. During that period, the debt rose more than fivefold, reaching a total of $45 billion in 1983, mainly contracted with private banks with the agreement of the U.S. government. As of 1976, an IMF loan gave a clear signal to the banks of the North: the Argentine dictatorship was to be supported. The junta in power undertook to force public companies into debt, such as the oil company YPF, whose external debt was multiplied by sixteen in seven years, rising from $372 million to $6 billion. But hardly any of the hard currency borrowed ever reached the coffers of the public companies. The sums borrowed from U.S. banks were largely deposited in these same banks in the form of deposits, at a lower rate of interest than that of the loan. Large commissions then contributed to the personal enrichment of those close to the dictatorship. For example, between July and November 1976, the Chase Manhattan Bank received monthly deposits of $22 million, on which it paid interest at 5.5 percent. At the same time, Argentina's Central Bank was borrowing $30 million each month from the same bank at a rate of 8.75 percent. All this took place with the active support of the IMF and the United States, maintaining the regime of terror, while Argentina and the United States drew closer after the nationalist experiment of Perón and his successors.[49]

> From 1976 to 1983, the policy of indebtedness and loans was totally arbitrary. This implicates the staff and Executive Boards of public and private institutions. The existence of an explicit link between the external debt, the flow of foreign capital in the short term, the high interest rates on the internal market, and the corresponding sacrifice of the national budget after 1976 cannot have escaped the notice of the IMF

So the debt increased very fast, as did the personal wealth of those close to the dictators. It was also profitable for the banks of the North. Part of the money came back into their vaults and could be loaned again to others, in an endless cycle. Moreover, the wealth of the dictators was very useful to the banks because it served as a guarantee. If leaders were suddenly less compliant and challenged the repayment of debts contracted in the name of the state, the Bank could threaten to freeze their secret personal assets, or even confiscate them. Corruption and embezzlement thus played a major role.

> In the poorer countries a caste developed in the higher spheres of the state in collusion with that in Western countries: local ruling classes negotiated their participation in the spoliation of the earth through their capacity to make natural resources available to multinational corporations or to insure social order.
>
> —HERVÉ KEMPF, *How the Rich Are Destroying the Earth*, 2008

The money that eventually did reach the borrowing country was used in such a way that the population hardly reaped any benefit. Priority was given to financing huge energy or infrastructure projects (big dams, power plants, pipelines, deepwater harbors, railways, and the like) that were very often inappropriate or megalomaniac, and nicknamed "white elephants." The aim was not to improve the daily life of the local populations, but rather to extract the natural resources of the South and transport them easily and at the cheapest cost to the world markets. For example, the Inga Dam in Zaire made it possible, from 1972, to install a 1,900-km high-voltage power line to the mineral-rich province of Katanga, with a view to its exploitation. Yet no transformers were installed along the way to supply electricity to villages where people still use oil lamps. Other, often overreaching dam projects have been made possible by finance from the North: Kariba between Zambia and Zimbabwe, Katse and Mohale in Lesotho, Sardar Sardovar in India, Tarbela in Pakistan, Arun in Nepal, Yaceryta on the river between Argentina and Paraguay, Chixoy in Guatemala, Nam Theun in Laos, and so many more.

In many countries debt strangles the public purse—and is often for money spent unproductively long ago by authoritarian regimes.

—UNDP, *Global Human Development Report 2002*

The same logic still prevails regularly, as is borne out by the construction of the Chad-Cameroon pipeline begun in the 1990s, to bring oil from the Doba region, an enclave in Chad, to the maritime terminal of Kribi (Cameroon), 1,000 km away. The consortium, consisting of ExxonMobil, ChevronTexaco (United States), and Petronas (Malaysia), succeeded in completing this $3.7 billion project thanks to the powerful strategic and financial backing of the World Bank.

The construction of the pipeline, completed in 2004, was carried out with a total disregard for the populations concerned. For example, the indemnities initially offered to those living in the path of the projected pipeline amounted to a mere 3,000 CFA francs (4.6 euros) per mango tree destroyed, whereas according to the Chad MP Ngarléjy Yorongar, the first crop of this tree alone yields 1,000 mangoes, each tradable at around 100 CFA francs (15 euro cents), or 150 euros per mango tree.[50] It was only after much protest and pressure that these amounts were slightly raised.

A French-trained officer, Chad's president Idriss Déby Itno seized power in 1990 after toppling Hissene Habre. He enjoys the long-standing support of France and French-African networks. His record so far: fixed elections with ballot stuffing and vote-rigging; repression of any form of democratic opposition and free press; and revision of the constitution to allow the president to stand for a third term. The resounding failure of the lawsuit brought by Déby against François-Xavier Verschave, author of *Noir silence,* the book that recounted it all, was widely reported.

The World Bank could not openly approve such a regime. It therefore sought to justify itself by promoting a pilot scheme that would allow Chad's populations to benefit from profits made. Having invested more in Chad than anywhere else in Sub-Saharan Africa, it required Déby to deposit 10 percent of the money earned from oil sales in a blocked account at Citibank, London, under the control of the World Bank, and to reserve this money for future generations. To manage this account, the World Bank put forward the idea of a Committee for the Control and Supervision

of Oil Resources (CCSRP) composed of nine members.[51] But five of these members were nominated by Déby himself. The remaining 90 percent of oil revenues was to be distributed as follows: 80 percent for social projects that the World Bank had approved, 10 percent for the state's operating expenses, and 5 percent for investments in the Doba area.

The big winner in the Chadian oil project is the consortium, but government and its cronies are not complaining either. The distribution of revenues between the Chadian state and the oil consortium seems extremely unfavorable to the state, which should get only 12.5 percent of royalties on direct oil sales. To this should be added various taxes and bonuses, which are paid directly into Chad's public treasury. The first bonus, paid as an advance, was not a shining example of probity: $7.4 million was embezzled on this occasion. The president's son misappropriated another $4.5 million for the purchase of helicopters.[52] The World Bank, deeply involved in the project, generously closed its eyes so as not to prejudice its credibility.

That was not enough for Déby, who contested the figures provided by ExxonMobil and the consortium which were used to calculate how oil revenue would be distributed. This is why on October 7, 2004, the Chad president's office published a very unusual release titled "Consortium Swindle, Concealment and Fraud," denouncing the fact that the multinational corporations claim all these oil revenues and that Chad cannot control the consortium's dubious declarations. The mechanism set up by the World Bank was blown to pieces: by the end of 2005, Déby had embezzled $27 million of the funds that had been intended for future generations. Moreover, he had changed the rules of the game in that he included security expenditure in the definition of priority sectors to be financed with oil revenues. While weakened by deep social tensions, attempted coups, and desertions in the army, Déby tried to build up his repressive military power. The World Bank reacted by freezing disimbursements of $124 million intended for Chad. A few months later, under pressure from Washington in support of Déby, an agreement was reached between Chad and the World Bank. Made official in July 2006 and publicized as a victory, it confirms the World Bank's step backward. Déby committed himself to dedicate 70 percent of oil revenues to poverty reduction programs; that is less than the 80 percent that had been initially announced.