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# **Development policy guidelines of the Swiss Coalition of Development Organizations**

## **I. International economic policy**

1. Creating new rules for globalisation
2. Re-regulating international financial markets
3. Tailoring trade rules to suit the needs of national economies
4. Politically committing transnational corporations

## **II. Global Governance**

5. Sharing responsibility for the North-South divide
6. Increasing the influence of developing countries
7. Democratising intergovernmental decision-making
8. Respecting the sovereignty of States, limiting the scope of governments for arbitrariness
9. Preserving the natural bases of human life
10. Strengthening the social bases of human life
11. Securing global public goods

## **III. Development strategies and cooperation**

12. Fostering new development strategies beyond export-orientation and forced world market integration
13. Rehabilitating the service and development-oriented State
14. Encouraging emancipation processes to facilitate development
15. Mobilising internal finances, and implementing generous debt relief
16. Focusing development cooperation on poverty eradication and divorcing it from donor country interests

# I. International economic policy

## 1. Creating new rules for globalisation

- The Swiss Coalition espouses the position of those who are critical of the economic and social rules that have been imposed worldwide over the past 25 years and are determining the present form of globalisation. We support efforts to develop new socio-economic paradigms and regulations and to implement them at policy level so as to put an end to the age of neoliberalism.
- We are striving for a new regulatory system that complies better with the economic and social needs of developing countries, narrows the north-south gap and attenuates worsening social inequalities. It shall also combat the commercialisation of all life spheres, strengthen democratic influence on all economic and social policy decisions, promote gender equality and in general be socially and environmentally sustainable for industrialised and developing countries.

## 2. Re-regulating international financial markets

- We oppose all attempts to use bilateral or multilateral agreements to impose coercive mechanisms internationally for the ongoing liberalisation of capital flows, and to invest the International Monetary Fund (IMF) with a mandate for permanent liberalisation as misguided as that given to the World Trade Organisation (WTO). Instead, the international financial system needs to be made less crisis-prone and in particular, the scale and frequency of financial crises in developing countries have to be reduced. In addition, the illegitimate political influence of private financial market players on economic social and fiscal decisions in individual countries must be curtailed.
- Therefore, we advocate re-regulating international financial markets, slowing down financial transactions and curbing the present freedom of cross-border capital movements. In particular, it is necessary to limit short-term speculative capital movements and to impede actual currency speculation. This is why the Swiss Coalition supports a foreign currency transaction tax (Tobin Tax), amongst other things. Under a new financial system developing countries are to have the right to open up their financial markets in keeping with their own prescriptions and timetable, or to re-introduce controls on capital movements if they consider it necessary.
- The IMF's intervention and standby policy in the event of a financial crisis is to be so reformed that the «remedy» does not plunge the developing countries concerned even deeper into economic crisis. The private sector must also help bear the costs of crisis management.
- Re-regulating financial markets calls for the elimination of the legal loopholes that make it possible to circumvent national financial regulations and fiscal obligations. The operational freedom of tax havens and offshore financial centres have to be systematically reined in and converted into onshore financial centres. In this connection, we support endeavours to devise and set up an international tax authority. International standards and agreements are needed, mostly by developing countries, to enable them to tax transnational corporations. Such agreements and standards would be handled by the proposed international tax authority.

### 3. Tailoring trade rules to suit the needs of national economies

- The Swiss Coalition militates for a fundamental change of direction in international trade policy – away from the agenda for the utmost freedom of world trade and permanent trade liberalisation as an end in itself. The economy is intended to enable people to live in dignity. Its purpose is not to conduct more and more foreign trade. The foremost economic policy concern should therefore be with the markets of one's own country and region. Questions must be raised about trend of the past 20 years toward making a fetish of foreign and world trade. The world is not confronted with the false choice of total protectionism (and the collapse of world trade) or limitless free trade. A judicious policy for the future will lie somewhere in between and combine trade freedoms with various «protectionist» safeguards for individual countries.
- The standards and rules of the world trade system must make allowance for variety and not, as is the case today, impose globally binding rules that cater – if anything – to the needs of industrialised countries only. Developing countries must be able to protect individual sectors of their economies and must themselves determine the pace and extent of their integration into the world market. WTO rules and disciplines that prohibit national protective measures or measures to promote industry shall cease to apply to developing countries.
- The Swiss Coalition opposes all plans to use new WTO agreements to suppress definitively any tools of economic development that are still «allowed». This is the purpose of the rules on investment, competition and government procurement that industrialised countries are keen to push through in the WTO.
- The world trade system is to promote regional integration processes amongst developing countries and enhance South-South trade flows. The present endeavour of industrialised countries to set up free trade areas with developing countries of their choosing – along the lines of the NAFTA model – only serves the interests of the industrialised countries, to the detriment of the developing countries concerned. We therefore reject this.
- The world trade system must not underpin the technological lead enjoyed by industrial countries, as is being done by the WTO agreement to protect intellectual property (TRIPS). The worldwide patent protection given to the most advanced products and technologies saddles the weaker economies of developing countries with considerable costs and hampers the transfer of technology. We support all efforts to ease the TRIPS regime and other international mechanisms for the protection of intellectual property, if they endanger fundamental public goods.
- The world trade system must regulate cross-border flows of goods and services. In contrast, the WTO tendency in addressing the so-called «non-tariff trade barriers» to use international free trade rules to neutralise major spheres of national legislation – for example in the public services – must be opposed. And this must be done for democratic reasons. Democratic freedoms are more important than the freedom of trade that transnational corporations are attempting to expand and strengthen by preparing national markets for one global and homogenous world market.

#### **4. Politically committing transnational corporations**

- The Swiss Coalition supports the endeavours in the UN framework to subject the conduct of transnational corporations to binding international regulation that makes them legally responsible, accountable and liable for their actions. We therefore reject any international codification and expansion of the rights of multinational enterprises so long as the governments of industrialised countries and private sector interest groups refuse any international regulation of their obligations.
- We support all endeavours to introduce suitable technology impact assessment procedures and to establish them as an international standard. In this connection, binding international regulation of transnational corporations must also entail introducing clear rules on liability for technology impacts.
- We support voluntary codes of conduct with clear obligations, implementing provisions and independent monitoring mechanisms. In its present form, the UN Global Compact does not fulfil these requirements.

## **II. Global Governance**

#### **5. Sharing responsibility for the North-South divide**

- The Swiss Coalition supports an international order that relies on negotiations, agreements and international legal solutions and restrains force and domination driven relations between and within States. Accordingly, we favour transparent multilateral institutions with broad-based legitimacy and are opposed to any over-powerful individual States or alliance of States arrogating to themselves the right to act outside the scope of those institutions and beyond the rules of international law to impose global governance and unilaterally assume power.
- We support national and international players that operate from a global domestic policy perspective, and are therefore guided by the global collective interest in sustainable development and, in any pursuit of their particular interests, display constant regard for the shared interests of all humanity. We are therefore striving for a Swiss world policy that perceives all six billion human beings as sharing a common destiny towards which it must be oriented. We are convinced that this corresponds best to Switzerland's national interest.
- We support a policy that declares the glaring differences in life chances between the minority in industrialised countries and the majority in developing countries as the main challenge and acknowledges a special share of responsibility on the part of the privileged minority for solving the problem. We must oppose political and ideological currents in the industrialised countries that reject this responsibility and instead fuel fear of the justified demands of the disadvantaged majority of mankind and endeavour to cut off the «island of prosperity» from Asia, Africa and Latin America.
- The industrialised countries cannot impose worldwide freedom of movement for goods, capital and the officials of the world economy while simultaneously closing its doors to the people from poor countries. We therefore advocate an active immigration policy that allows for the controlled admission of immigrants from

countries outside the European Union (EU). Such an immigration policy necessitates improved public integration mechanisms and measures on communal, cantonal and national levels.

## **6. Increasing the influence of developing countries**

- The Swiss Coalition regards all States as equal. This must find expression in the shaping of multilateral institutions and their decision-making procedures. Of all existing institutions, the United Nations comes closest to embodying such equality of rights. As the world's central political institution, it must be further strengthened – the long outdated Security Council privileges for the victors of the Second World War must be phased out. We oppose the practice whereby the major industrialised countries influence the decisions of developing countries at international level through pressure, threats of negative economic consequences or bribery.
- We support efforts to enhance the position of the United Nations in relation to the autonomous economic institutions (IMF, World Bank, WTO) and to move negotiations on international economic rules increasingly back into the United Nations. The UN bodies responsible for economic, social and cultural matters must be upgraded accordingly. We oppose any expansion of the powers and responsibilities of the Bretton Woods Institutions (BWI) and the WTO beyond present levels. It could instead be meaningful to remove some specific areas of responsibility from the Bretton Woods Institutions or from the WTO and to integrate them into the United Nations (e.g. foreign investment). We also firmly oppose any further moves to consolidate exclusive groups of industrialised powers such as the G-7 into the nucleus of some future global governance by «the democracies» in place of the United Nations.
- The voting majority of industrialised countries in the Bretton Woods Institutions, as well as the blocking minority represented by the USA must be eliminated. They are to be replaced by voting models that will help realise the legitimate interests of developing countries. Besides, the composition and structure of the main organs must be brought into line with the principle of equality. WTO green room negotiations also need to be eliminated and replaced by negotiation groups whose composition reflects the weight of developing countries and their respective starting positions in a representative manner. Developing countries must be much better represented on the staff of the WTO secretariat. Small and poor developing countries should receive financial assistance to enable them to maintain sufficiently large and competent missions to multilateral economic institutions.

## **7. Democratising intergovernmental decision-making**

- One objective of the Swiss Coalition is for the social and political forces of individual countries to be able to exert a greater influence and play a larger role than hitherto in negotiations and decisions in multilateral organisations. National parliaments in particular should assume greater responsibilities in foreign policy matters and should reduce the area of international policy in which Executive Branches alone can make decisions. They must find ways and means of steering the positions of their governments before and during negotiations in multilateral forums so that no longer will their say on comprehensive international agreements and regulations come only at the end – and as a mere yes. For as a rule, only the most powerful States can afford to say no.

- Multilateral institutions have to inform the world public in general and civil society players in particular of their activities and accord them a consultative role in the negotiation and implementation of international treaties and regulations. The same goes for governments in their respective countries. However, the Swiss Coalition is against governments viewing a global or national consultative role for civil society and the private sector as a replacement for democratic decision-making procedures and the checks and balances of a functioning democracy.

## **8. Respecting the sovereignty of States, limiting the scope of governments for arbitrariness**

- The Swiss Coalition advocates an international and legal order that also respects the sovereignty of small and weak States. For it is only in the framework of national sovereignty that social debates can take place constructively and peacefully, and these debates are necessary if a society is to develop economically, cast off subordination and achieve democracy.
- We do not regard national sovereignty as an absolute value, however. We support all national, regional and international efforts by governments and other players to use appropriate institutions to monitor the human rights situation in all countries and to be criticize it publicly (peer review). We welcome the investigation and prosecution, through an international criminal court, of serious human rights violations by governments or groups wielding power against their citizens or those of other countries, and of breaches of international humanitarian law.
- We support efforts to avoid the use of comprehensive international economic sanctions, which often hurt the victims more than the perpetrators. Instead, multilateral instruments are to be developed that make use of smart sanctions to drastically curtail the leeway open to criminal governments and their foreign helpers and to halt their financial and economic operations. At the same time, the affected population has to be supported in its striving toward better living conditions and greater freedom of movement and action.
- Armed humanitarian interventions to prevent genocide or grave human rights violations are justified only as a last resort and after all non-military avenues have been exhausted. To counter the danger of misuse, we believe that binding criteria and mechanisms for armed humanitarian interventions should be worked out in the United Nations.

## **9. Preserving the natural bases of human life**

- This Swiss Coalition supports all national, regional and worldwide efforts to halt the gradual destruction of the natural bases of human life. We specifically support the implementation of the UN Agenda 21, a goal that will not be attained without converting industrial production and consumption methods. That conversion entails changing over to renewable energy sources and reorienting industrial production toward closed raw material circuits. It is incumbent on the industrialised countries to set the example by initiating this conversion, for when it comes to resource consumption and environmental degradation, they are by far the leaders.
- We support all moves to build up a strong environmental authority in the United Nations framework, so as to lend greater force to international environmental

agreements and guarantee their implementation. The environmental conventions must take precedence over WTO trade law and other economic agreements.

- We regard the changeover to renewable energy sources as especially important – to us it represents a serious start to the conversion of industrial production methods. To that end, the Kyoto Protocol must be ratified by all countries and finally implemented. Nevertheless, it does contain concessions to the industrialised countries that will subsequently make it necessary to require more far-reaching action on their part. Switzerland itself must refrain from taxing new sources of energy in order to encourage the conversion. In this connection, we support the endeavours of the international transportation industry to internalise all external costs.
- We support the implementation of the Biodiversity Convention and the International Treaty on Plant Genetic Resources for Food and Agriculture. The process must guarantee the preservation of the biological diversity, the sustainable use of its components and the balanced and fair distribution of the advantages deriving therefrom. The rights of States and of local communities must be respected as concerns access to biological resources. Access to these means of sustenance must not be obstructed by patent protection. We demand specifically that Switzerland plays an active part in preventing «bio-piracy», including the piracy of traditional knowledge.

## **10. Strengthening the social bases of human life**

- We support all endeavours to reinforce the social human rights (UN Covenant on Economic, Social and Cultural Rights) and the core labour rights (ILO Conventions). The competent UN bodies must be upgraded and the international monitoring and reporting system on the status of national implementation strengthened and invested with powers of sanction. International regulations governing the rights and duties of transnational corporations have to include observance of these rights.
- All countries must guarantee their people access to essential resources such as land or water. Specifically, women must be afforded greater access to such resources and efforts must be made to counter the exclusion of ethnic groups, castes or classes from access to these resources. Land reforms are therefore necessary in many countries.
- We support the efforts being made in the follow-up process to the World Food Summit to work out guidelines for the implementation of the right to food. It must be ensured that trade policies do not jeopardise the right to food. Agreements, in particular the WTO agreement on agriculture, must contribute to realising the rights of all human beings to food and must be made legally subordinate to this fundamental human right.
- Amongst the social human rights, we particularly underscore the right to health-care and to education – in other words to human resources, which are just as important as natural resources. Today it is possible to finance a basic healthcare system and basic schooling for all people using the developing countries' own resources, supplemented by development cooperation funding. Efforts by international organisations in this regard must be supported.

- We support local communities and social movements that oppose major projects by capital-rich groups and governments, the realisation of which would mean the wanton destruction of the economic and social resources vital to their lives. In this connection, we believe that publicly funded institutions such as the World Bank or the export risk guarantee agencies of OECD countries should cease to provide funding or guarantees for such projects. They should only provide these if the communities and populations concerned have accepted the projects and have received adequate compensation that provides them with new possibilities for earning a livelihood.
- We support all efforts to establish water as a public good and to lay the groundwork for an environmentally sustainable and socially just water policy in a water convention governed by international law. The emerging shortage of drinking water is not merely a technical or economic challenge that calls for investment in drinking water supplies and wastewater treatment, the protection of water sources from contamination, or for greater efficiency in the use of water in agriculture and industry. It is also a major political and social challenge. All human rights and freedoms will remain no more than theory if people cannot be guaranteed the right to drinking water, the means of survival par excellence.

#### **11. Securing global public goods**

- The Swiss Coalition supports the further development of the concept of global public goods launched by the UNDP. These include the climate, forests and oceans, health and protection from disease, as well as human rights and peace. The entire world has a collective interest in them. Everyone uses them, yet it is often the responsibility of individual States to safeguard them, with the result that this is not done optimally. These goods ought to be (a) open to use by everyone and (b) subject to democratic procedures for their preparation, use and funding.
- We support efforts whereby countries and regions that bear particular responsibilities and burdens in the provision of these goods should be compensated by the community of States through an international burden-sharing system, if they are unable to manage on their own (e.g., protecting the world's oceans, the Amazon region, the Sahel).
- We advocate the allocation of additional resources by Switzerland for its engagement in favour of global public goods, as a complement to its efforts in the sphere of development cooperation.

### **III. Development strategies and cooperation**

#### **12. Fostering new development strategies beyond export-orientation and forced world market integration**

- The Swiss Coalition supports efforts in developing countries to free economic policy from the strictures of the Washington Consensus, forced world market integration and export orientation, and to concentrate instead on building up their own internal markets and on regional market integration. We need to return to formulating development strategies based on the specific circumstances and pos-

sibilities of individual countries, and make allowance for the full range of economic and sociological theories. In this regard we welcome the revival of classical development economics that is now being witnessed internationally. On the other hand, we regard as problematic the World Bank's monopolistic position when it comes to producing economic studies and theories on developing countries, and call for a cut in the resources being made available for this purpose. Instead, more resources should be allocated to specialised United Nations bodies for economic research and the construction of theories (UNRISD, UNCTAD, UNDP, an upgraded ECOSOC, etc.).

- We support all efforts on the part of developing countries to secure greater economic sovereignty and to free themselves from the economic policy dictates of the World Bank, IMF and donor countries. Accordingly, the present functioning of the Bretton Woods Institutions must be criticised and questioned within the industrialised countries so as to create the possibility for changes at the highest policy levels. It is necessary to remove a series of contradictory economic demands derived from market fundamentalism from the conditionality for loans and aid being imposed by the World Bank, IMF and donor countries. This applies to the Poverty Reduction Strategies as well.
- We support those forces in developing countries that oppose contracted views on the problems of development and strive instead for multidimensional development strategies that encompass food security, the development of agriculture, industry and services, expanded public infrastructure, education, social security, gender equality, human rights, social and political freedoms, as well as cultural and religious dimensions.

### **13. Rehabilitating the service and development-oriented State**

- A functioning state administration and the gradual legal and institutional regulation of political, economic and social processes are indispensable to the development processes that we support. Strengthening and developing good governance in this way demands adequate financial resources from States. After the neoliberal era during which the public sector was deliberately weakened in developing countries, powerful countermeasures are now needed.
- Besides, the State's economic role too must be strengthened. It is not just a matter of putting in place, as the institutionalist critics of market fundamentalism would have it, the institutions and legal frameworks required for markets to function. Rather, it is also necessary to restore the role and importance of the State as an active economic player in the development process.
- In addition, the social role of the State must be also be strengthened. Even some of the poorest developing countries are able to build up educational or healthcare institutions in line with their means and accessible to all, thereby perceptibly improving the quality of life and potential of their population. Not so poor countries have sufficient resources to develop adequate social protection programmes for their economically disadvantaged and socially marginalized groups. It is a mistake to credit only wealthy industrialised countries with the capacity to act as welfare states, while reserving for developing countries a raw capitalism that is particularly cruel to the majority of population, as the Bretton Woods Institutions have done repeatedly throughout the neoliberal era.

- Furthermore, the role of the State in providing and operating infrastructure must also be enhanced. Selling off infrastructure companies and natural monopolies at commercially advantageous locations to transnational corporations hampers the ability of developing countries to elaborate and implement long-term strategies in urgent areas such as providing large-scale drinking water or power supplies.

#### **14. Encouraging emancipation processes to facilitate development**

- The Swiss Coalition regards development as a process of social debates involving, successively, liberation from oppression, stigmatisation, subordination and need. In the developing countries, we support those at a disadvantage in that process and favour social and political power configurations that champion their interests.
- Civil rights and political freedoms are not a luxury to be attained at the end of a development process in the form of a reward. We support all those who see the struggle to secure and consolidate them as a vital tool for development. Unless the scope for political expression and participation in the shaping of the political landscape is significantly expanded in many developing countries, the prospects of State failure and terrorism will grow. We therefore oppose limiting good governance merely to more efficient and calculable public sector operations and to an economic programme that suits the IMF and World Bank. To no lesser extent, good governance entails democracy and the possibility to live out political and social differences free from oppression by armed state and para-state entities.
- We support all forces working to reduce glaring social inequalities and poverty through appropriate redistribution measures and thereby to increase the opportunities and freedoms available to the poor for shaping their own destinies. Such a redistributive approach may entail land reforms or the realisation of constitutionally guaranteed rights. They may also mean eliminating the political and legal barriers that are forcing a large part of the stock of buildings and enterprises – i.e., the capital available in poor countries – into the informal economy.
- The Swiss Coalition promotes development that aims for true gender equality at the social, economic and political levels. Structural imbalances and gender discrimination must be eliminated by means of targeted measures. Equality of opportunity as well as the fair distribution of power, resources, rights and duties between the sexes must become basic values at all levels of human life and work.
- The Swiss Coalition supports all endeavours to harness the modern means of communication and information for the purposes of poverty reduction and development, to guarantee the public services and give priority to the public interest, i.e., the rights and needs of people. An information order suited to local conditions can go a far way toward narrowing of the digital divide between rich and poor. The Swiss Coalition advocates a binding declaration of principles by States within the United Nations framework in order to promote traditional forms of communication.

#### **15. Mobilising internal finances, and implementing generous debt relief**

- We support efforts within developing countries to raise their levels of saving and capital accumulation and, to that end, to build up local and national financial markets based on traditional and new instruments. This is not a matter of devel-

oping a «modern» financial sector that can be integrated as rapidly as possible into international markets, but rather of tapping the «traditional» local financial potential. The widespread view that economic development processes can only be financed with external capital should be debunked and the dependence on foreign capital reduced.

- A generous debt relief programme for many developing countries, not just the poorest ones – greater in scope than the present initiative of the Bretton Woods Institutions – will be needed in order to move beyond an economy based on ruthless environmental and social exploitation for the sole purpose of debt servicing. Debt relief should also be extended to countries whose governments, as strategic friends of the West, have been flooded with credits and have often been armed against their own people. We support the endeavour to use the financial leeway gained from debt relief measures to help reduce poverty and to include the population in the formulation and implementation of the relevant plans.
- We favour an international insolvency procedure that balances out the power relationship between creditors and debtors and guarantees over-indebted countries a subsistence minimum, so to speak.
- Lastly, a stricter supervision of lending by multilateral development banks or state bodies such as export insurance agencies is necessary, in order to break the spiral of indebtedness. In this way, misinvestments (and debts), for instance, could be better avoided if the population were able to help decide on the necessity and usefulness of major investment projects.

#### **16. Focusing development cooperation on poverty eradication and divorcing it from donor country interests**

- The Swiss Coalition regards development cooperation as a duty on the part of the privileged few toward the vast majority of humanity and supports efforts aimed at anchoring development cooperation in international law as equalisation payments by the rich to the poor – similar to Switzerland's financial equalisation system or to EU compensation payments. All bilateral development cooperation should in principle be extended as grants rather than as loans. We are nevertheless critical of the use of development cooperation as a tool for the one-sided promotion of donor country interests and we regard this still widespread practice as one of the main causes of negative outcomes from development cooperation.
- We support the OECD's efforts to lend greater coherence to the industrialised countries' policy toward the South and to prevent the goals of development cooperation from being undermined by foreign economic, security or other foreign-policy interventions. We are critical of the fact, however, that major segments of the economic agenda of the neoliberal era and the geopolitics of the industrialised countries go directly against the OECD's intentions, undermine efforts to achieve coherence and are partly neutralising the positive effects of development cooperation.
- We believe that development cooperation programmes should emphasise the structural elimination of poverty, injustice and inequality and thereby contribute to attaining the Millennium Development Goals. To that end, donor countries must increase ODA funding to 0.7 per cent of GNP in the coming years and concentrate more assistance on the poor countries.

- Switzerland too is bound by this obligation. Its government has nevertheless set a target of only 0.4 per cent by 2010, which falls far short of the needs. Yet even this low level faces such a domestic political threat that the Swiss Coalition is concentrating its efforts first on achieving that goal. It believes nonetheless that like all the other OECD countries, Switzerland too will have to reach the 0.7 per cent mark in the foreseeable future.
- In cases where development cooperation funds are being disbursed directly to developing country governments, the latter must comply with the principles of good governance. To us this means transparency, a sense of responsibility, and accountability for the government's actions and decisions, the undoubted will to build up public services for the people, the respectful treatment of the population by government bodies, especially in dealing with dissent, and practicable ways of minimising the corruption of political personnel. Assistance funding must not be allowed to prolong the survival of repressive or kleptocratic governments artificially. On the other hand, we regard many of the economic requirements being tied to good governance by the Bretton Woods Institutions and donor countries as mistaken and often even counterproductive.
- These economic requirements are being linked also to poverty reduction strategies (PRS). The Bretton Woods Institutions had originally imposed them on the poorest countries for (partial) debt relief and are now imposing them for all new lending. The result is that the PRS cannot attain their aim of combating poverty. We therefore support the efforts of grassroots movements and political forces to change the economic philosophy underlying the PRS, to increase the scope for civil society to influence them and to persuade the Bretton Woods Institutions, as well as national (and if necessary regional) governments of the need for public resources to be effectively reallocated for poverty reduction.
- No large amounts of ODA funds should go to governments, but should be channelled instead through relief agencies and NGOs to social movements in the developing countries, in order to boost the weaker of the social forces at play in determining the development process. ODA can also be used, amongst other things, to help the movements and organisations concerned to implement the social human rights and core labour rights. Private channels should be used to provide development cooperation also in countries under bad governance, whose governments should therefore be denied aid funds.

[The Board finalised and adopted the Development Policy Guidelines on 18 June 2004.]