



## Final Report of the Jubilee USA Network Delegation to Kenya and Zambia January 19-31, 2007

**“The debt crisis remains one of the key obstacles to fighting poverty in Africa. The debt burden continues to make it impossible for many governments to give services to its citizens.”**

-Wangari Mathaai, Nobel Peace Prize Winner, at the Illegitimate Debt Forum, World Social Forum, 2007

From January 18-31, 2007, Jubilee USA Network organized a delegation of 13 Jubilee USA leaders and supporters from across the country to Zambia and Kenya. In Zambia, our purpose was to see firsthand the impacts of debt relief as the country recently received cancellation under the Multilateral Debt Relief Initiative (MDRI), as well as the remaining challenges. In Kenya, we attended the World Social Forum – where we learned about the impact of debt in Kenya and strategized together with debt campaigners from across the globe.

### **I. World Social Forum, Nairobi, Kenya, January 19-25, 2007**

**“You, the churches who work to support God's children, go out of here to work for a new and just economic order. We do not want the burden of impossible debt. Cancel the debt. It is in the interest of the rich to share.”** -- Archbishop Desmond Tutu’s challenge to the religious community in the opening ecumenical service of the World Social Forum

Our focus at the five-day forum was debt, the Millennium Development Goals and the international financial institutions. Jubilee South, the Kenyan Debt Relief Network, EURODAD and AFRODAD, the European and African Debt relief networks, GCAP-Global Call to Action against Poverty, were just some of the groups sponsoring and organizing ten debt-related workshops.

**Raising Our Voices.** Wangari Matthai, 2004 Nobel Peace Prize laureate from Kenya, electrified a standing room only audience with her opening remarks on Illegitimate Debt: “How could the most powerful bank loan money to governments that could not pay without sacrificing lives of people? How can you punish these poor people? These debts are illegitimate – the poor are being sacrificed by these governments to pay the debts. We cannot tolerate these debts because they are literally killing our people.”

She challenged the churches to use their moral authority – “we have the numbers and the voices, but we don’t raise that voice! We cannot be silent while people suffer – we are the agents of the Lord!”

**Don’t Owe – Won’t Pay – Jubilee South.** Creative strategies were shared by Jubilee South representatives - debt audits in Brazil, the Philippines and a recently completed audit in Ecuador; repudiation of the debt by Brazil and Argentina who repaid the IMF early, a proposal from Bolivia’s president Evo Morales to create a Bank of the South that could lend funds with a people-focused agenda; and Peoples’ Tribunals that were conducted in previous World Social Forums to raise awareness about the need for debt cancellation. The countries from the South see themselves not as debtors, but creditors – especially on the issue of social and ecological debt.

**Haiti’s Debt Challenge.** Although Haiti recently qualified as a HIPC (a Heavily Indebted Poor Country), the IMF and IDB are saying wait until 2009 before Haiti sees total debt cancellation! The Jubilee campaigns in the North and South are collaborating with Haiti to focus attention on debt cancellation NOW as part of

March 29 global day of action for the Withdrawal of Foreign Troops and immediate debt cancellation; a spring 2007 Solidarity Mission trip to Haiti and an educational campaign on Debt, Trade and Militarization with Jubilee South.

**Kenya: No Relief.** Kenya is in a completely different place in terms of indebtedness. Kenya does not qualify for MDRI or the HIPC Initiative. Yet the need for debt cancellation is great in Kenya. Kenya with a total debt of more than \$7 billion pays hundreds of millions each year in debt service while 1.3 million people are living with HIV/AIDS and many lack adequate treatment.

Given the extreme frustration with being excluded from debt relief to date, campaigners in Kenya have adjusted their tactics. The Kenya Debt Relief Network, Catholic Economic Justice, and other leading Kenyan debt campaigners are now calling on government to refuse to pay the debts – or to repudiate them. Jeffrey Sachs, the Columbia University economist and UN advisor, has joined this call.

**Global Plan of Action:** Jubilee North and South together with several hundred participants adopted a plan of action to guide the debt campaign in 2007. Representatives of debt networks from 36 countries agreed on the following common actions in 2007:

1. **A Global Week of Action against Debt** – October 14 to 21, 2007. This week offers campaigners the opportunity to mark:
  - October 15 – 20<sup>th</sup> anniversary of the death of Thomas Sankara (former president, Burkina Faso)
  - October 16 – World Food Day
  - October 17 – International Day to Eradicate Poverty (White Band Day)
  - October 20 – World Youth Day
  - October 19-21 – IMF-WB Annual meetings, Washington, DC
2. **Fasts to protest against debt domination**
  - A 40-day rolling fast from September 6 to October 15 (week of action) led by Jubilee USA with global participation
  - ‘One lunch for Africa’: a proposal for African / Southern campaign groups to fast over one lunchtime, during the rolling fast and for two days before the G8 meeting.
3. **Use occasion of governmental summits** to raise the call for debt cancellation
  - G8, June 2007: media and via mobilizations in Germany and elsewhere (Mali)
  - Commonwealth Heads of Government, November 2007: mobilization in Uganda
4. **Call for audits**
  - Official/government and citizens’ debt audits, and a citizens’ audit of the IFIs (International Financial Institutions)
5. **Call for endorsements by prominent individuals**
  - Call on elected representatives, faith leaders and other prominent individuals – both South and North – to associate themselves with these actions and demands

## **II. Right Relations and Economic Justice – the Case of Zambia**

**“Poverty is human made, so it can be eradicated.”**

-- Emily Sikazwe, Women for Change Executive Director, Zambia.

**Background.** Zambia is an impoverished country. More than 80% of the population lives under the poverty line – up from 58% in 1989. HIV/AIDS is widespread – with infection rates of greater than 20% in many areas. User fees have kept people from accessing health care and education. The compounds or slums of Lusaka face major sanitation problems. While we were in Zambia, fears of a cholera outbreak in the South

were reported. Zambia is also a land of incredible natural and mineral resources, especially copper. Its biggest asset is undoubtedly its people.

**Impacts of Debt Relief and Challenges.** We went to Zambia to see the impacts of debt relief and to understand the remaining challenges Zambia is now facing. Zambia reached decision point in the Heavily Indebted Poor Countries (HIPC) Initiative in 2000, and then it reached completion point in 2005, qualifying the country for 100% debt stock cancellation of its IMF/World Bank debts up to the end of 2004 and end of 2003, respectively. Zambia's debt cancellation was formally released in 2006.

When we visited, there were already some tangible impacts from the relief of 2006 – most notably, the decision to remove user fees at rural health clinics. But in our meetings with government officials, we learned that more specific uses of the relief will only become apparent in February 2007 when the Zambian government releases the first full budget year when new resources will be available to the government.

**Debt relief works, but it's not enough...** On our first full day in Zambia, we drove three hours south of the capital Lusaka to a town called Siavonga, to witness the impacts of debt relief firsthand. After a long, bumpy ride through the Zambian countryside, we arrived at the Siavonga Rural Health Clinic.

As we toured the clinic, Grace Chibanda, a pharmacist, showed us the pharmacy, which was full of Anti-Retroviral and other drugs for malaria and other diseases. **“Debt relief is a good thing,” Grace told us. “It is getting medicines for people who didn't have it before.”**

In April 2006, the Zambian government abolished so-called “user fees” in all rural health clinics in Zambia. This meant that while before costs may have deterred the poorest from coming into the clinic, now care was free. Nurses and doctors we talked with confirmed that they had seen an increase in patients since April.

It was good to see the reality of the impacts of debt relief firsthand and to know that debt relief is getting to many Zambians in need. At the hospital, we heard from the nurses and the hospital's doctor that while debt relief is a good thing, there are still many challenges facing the Siavonga clinic and the health system in Zambia generally.

As the clinic's only doctor on duty that day, Dr. Evanista Kunka, told us, the biggest remaining challenges include:

- A consistent drug supply. While they were stocked up that day, sometimes they would be out of drugs for months at a time.
- Improved Transport and improved road system. The hospital was not full that day because it is the rainy season and many people who are sick can't get from the rural areas into Siavonga. Transportation is also needed to get doctors and nurses out to patients who are dying without access to care.
- Adequate pay for doctors and salaries. Doctors or nurses often leave Zambia because they can earn higher salaries in Namibia or South Africa. The “brain drain” of doctors and nurses is a serious issue facing all of Zambia.

What else has debt relief helped to achieve in Zambia? Jubilee Zambia feels that aside from the user fees being removed, the effects so far have not been felt widely amongst the population -- yet. But the government plans to recruit 1500 teachers and 5700 health care workers by 2009. Also debt servicing has gone down in 2006 to be about \$33 million – significantly lower than in the past.

Pamela Kasese Bwalya with the Ministry of Finance told us that they had only just gotten the relief from the World Bank and the African Development Fund in the past few months.

**“Before debt relief, our debt stock was more than \$7 billion – which was a tremendous drain on the resources of the economy. We were using money from our cooperation partners to service debt (other funders?). Now our debt stock will be less than \$700 million. A lot of room has thus been created for resources to be used on social services. Most will go for health, education, poverty reducing projects, agriculture, and water/sanitation,”** explained Bwalya.

Zambia has created its Fifth National Development Plan, which outlines its plans to meet the Millennium Development Goals and outlines key areas and sectors such as the above to which debt relief and aid resources will be devoted.

**But is it enough?** Our Finance Ministry contact explained that though debt relief is having and will continue to have direct impacts, the amount of new money freed up in 2007 will be only \$40 million – and almost all of this is as a result of the IMF cancellation.

Why? According to Kasese Bwalya, since Zambia’s debt has been dramatically reduced, its debt is now considered to be “sustainable” under the IMF/World Bank’s most recent debt sustainability analysis. Practically, because of the way the MDRI (Multilateral Debt Relief Initiative) was set up with a dollar for dollar reduction in IDA (World Bank) resources for each dollar of debt relief, Bwalya said that Zambia will see no net impact – at least not in 2007 -- from the World Bank cancellation. This was of great concern to us, and it reflects poorly on the design on the IMF/World Bank Debt Sustainability Framework.

It is a problem because Zambia clearly needs significant additional resources to reach the MDGs (Millennium Development Goals) – the Fifth National Development Plan projects an MDG financing deficit for Zambia of more than \$750 million. In other words, debt relief helps, but much more is needed.

As Mulima Kufesika Akapelwa with the Catholic Center for Justice, Development, and Peace (CCJDP) told us, **“The need is still too great compared to the monies we are receiving.”**

**Is debt relief getting to those who need it?** We were fortunate to meet with several extremely impressive organizations that are monitoring government and making sure that debt relief and aid gets to those who need it most. Among them is Civil Society for Poverty Reduction (CSPR), a network of 150 CSOs (civil society organizations), churches, trade unions, and others which tracks and advocates for increased government spending on poverty. It was originally set up to provide a platform for civil society to feed into the development of Zambia’s Poverty Reduction Strategy Paper (PRSP).

Jubilee Zambia and Civil Society for Poverty Reduction told us that government spending on social services reached 30% of the budget in 2006 – the highest level yet. It is a hopeful sign that the government is committed to getting debt relief resources to those that need it the most. But there are still problems – CSPR for instance is concerned that resources provided to the Zambian government in the form of direct budget support do not make it to the community level. Mulima Akapelwa with the CCJDP told us they were concerned that the government is not always specific about where funds released are going – they are told just that it’s going into health, education, and agriculture. And even more hopeful is the presence of robust civil society networks on the ground working to hold the Zambian governments’ feet to the proverbial fire!

#### **And At What Cost Has the Relief Come?**

**“People should set conditions for governments, not the IMF.”**  
– Emmanuel Mali, Catholic Center for Justice, Development, and Peace

A consistent refrain that we heard from every organization, official, and advocate we met was that debt relief came at a very high price. The high price means the hundreds of economic policy conditions that the IMF and World Bank pushed on Zambia as conditions for its qualification for the HIPC Initiative.

A Member of Parliament from the opposition Patriotic Front party, Hon. Kambwiwi Chisamba, MP told us, **“Thanks to debt relief, we have been able to rehabilitate our schools and our hospitals. But we have made many sacrifices and we still have a long way to go.”**

One of the most harmful of these conditions is the IMF policy that Zambia limit its public sector wage bill (wages for teachers, doctors, nurses, etc) to 8% or less of its GDP.

As a result, he explained: **“Because of benchmarks by the IMF, we are not able to pay our nurses good enough salaries. They are going to places like Australia.”**

Another IMF policy that was a hot topic while we were there was the IMF’s proposal for an expanded Value Added Tax (VAT). The tax would be applied to books, mosquito nets, food, and drugs. The organizations we met are understandably concerned that these taxes would hit the poorest hardest.

As Mrs. Beatrice Chola, Executive Director of the Bwafwano Community School told us, **“When they say increase taxes on food and other items, who feels the pinch? It’s the poor people in the community.”**

A storm of controversy had erupted over the VAT proposal from the IMF, especially the idea that taxes should apply to mosquito nets in a country so impacted by malaria. When we met the IMF Resident Representative Birgir Arneson, he admitted that the tax on the nets “was a rather insensitive suggestion” but maintained the IMF position that there needed to be a broader tax base established in the country.

While it is clear that Zambia needs to increase its tax revenue – a critical source of finance to ensure its development – many in our group wondered about corporate taxes in Zambia. We learned that many foreign companies are given 5 year tax holidays! Common practice at the end of five years is that the companies disband, and re-form under a new name in order to preserve their tax holiday.

We also learned that Zambia gets only miniscule royalties on the extraction of its copper. The mining companies pay almost nothing. Our group agreed that rather than charge the poor a tax on food, it was high time that corporations paid their fair share in Zambia.

We also learned about privatization – the government, under the direction of the IMF has recently privatized the national bank. Organizations are concerned about the impacts of this privatization on small farmers and small business – will the new Dutch company which owns the national bank extend them loans? Privatization of other industries in Zambia under IMF adjustment programs has led to massive lay-offs and retrenchments. Discussions are currently underway about privatization of ZESCO – the electric power company.

There are a number of critical issues around the IMF’s program with Zambia – above all, there is great concern among Zambian civil society that IMF policies – low inflation targets, high interest rates, and low budget deficit targets – are limiting fiscal space in Zambia, at a time when Zambia needs massive public investment if it is to meet the MDGs.

### **What Next? Responsible Borrowing**

**“The biggest challenge, we face now, is how we avoid falling back into the debt trap all over again,” --**  
Emmanuel Mali, CCJDP

With much of its debt cancelled, Zambia faces new challenges -- most obviously the need to avoid getting back into the same debt crisis all over again. Again we found civil society and Members of Parliament very engaged on this issue.

The Jesuit Center for Theological Reflection and Jubilee Zambia are working on developing a debt procurement policy with Members of Parliament. The idea is that Parliament would need to approve loans taken out by the government – adding a layer of scrutiny and popular participation in the loan contraction process.

MP Michael Andrew Nyrende told us, **“We want a model as Members of Parliament to be able to scrutinize new loans. Let’s not make the same mistakes again.”**

Civil society and Parliament will be shifting their energies to this issue in the coming years, but it will be a hard fight. Government is not keen on involving the parliament; their position is that such a role would require a change to the Zambian constitution. The IMF was also not supportive, as they prefer to deal only with the Ministry of Finance.

**The MDG Financing Gap.** While debt relief has freed up some resources, it is clear that much more is needed if Zambia is to have any hope of meeting the MDGs.

John Weeks and Terry McKinley propose meeting the gap from these key sources: (1) Domestic revenue – higher taxes on wealthy individuals and corporations; (2) Aid from donors on a grant basis; and (3) Increased fiscal space. The IMF needs to give Zambia enough space to invest in growth, paying its teachers/doctors well enough to retain them.<sup>1</sup>

Raising domestic revenue from corporations and increasing fiscal space will require changes at the IMF and that the Zambian government become more assertive in its relations with the Fund.

The massive infusion of aid that Zambia still needs is another important issue. It is clear that due to the Debt Sustainability Framework, Zambia won’t be getting a major influx of new grant resources from the World Bank. Where will it come from? It is clear that as debt campaigners we must also advocate for increased poverty-focused development assistance in the form of grants if we are to meet the MDG financing gap.

What about the future role of the IMF in Zambia? The IMF provides some resources to Zambia via the Poverty Reduction and Growth Facility, but it is a relatively small donor. As Mulima Kufesika Akapelwa with the Catholic Center for Justice, Development, and Peace (CCJDP) said, **“The IMF is not the biggest funder in our budget, but it has the most power.”**

The question is, given the conditionalities and restrictions that the IMF requires, is it worth it? Civil society organizations are questioning whether Zambia should renegotiate a new PRGF loan with the IMF in June 2007 when the current loan expires. A growing number of countries are severing ties with the IMF – middle income countries are repaying early, and even low income countries that have reached completion point like Ghana and Uganda are thinking twice about signing new PRGF arrangements.

While the Zambian government has not been very assertive in negotiations with the IMF to date, political pressures may force a change in strategy. In fact the Finance Ministry contact we met with told us that there would be a government-wide meeting on what to do about the IMF in a few weeks time – signaling that the question of the costs/benefits of taking out a loan with the IMF were clearly on the table for discussion.

---

<sup>1</sup> An excellent paper on the question of IMF policies and fiscal space in Zambia is John Weeks and Terry McKinley, “Does Debt Relief Increase Fiscal Space in Zambia? The MDG Implications” at the UNDP International Poverty Centre (Brasíl), September 2006, available online at <http://www.undp-povertycentre.org/pub/IPCCountryStudy005.pdf>.

### **III. Recommendations and Action Steps**

We return from Africa with a few key lessons and a commitment to take the following steps:

#### LESSONS:

- Debt cancellation is a critical piece of a broader puzzle to fight poverty, and impacts are showing on the ground;
- Debt relief works but economic conditionalities must be abolished – in the Zambian case, the price of HIPC debt relief was paid in lost jobs, low wages for nurses, and user fees on the poor;
- Zambia’s civil society is strong and has the capacity to hold its own government accountable for the use of the money - while this may not be true in all countries, it is a valuable model to share;
- We must put increased focus on responsible lending and responsible borrowing going forward, supporting efforts by Parliamentarians and civil society in Zambia to avoid the outbreak of a new debt crisis;
- We need to re-think all IMF conditionality and indeed the role of the IMF in poor countries at all.

#### ACTION STEPS:

- Support U.S. legislation to cancel debts without harmful economic conditions
- Support Jubilee Zambia and other Jubilee movements in the Global South in their legislative efforts to hold their governments accountable;
- Participate in and support the March 29 Global Day of Action for justice and debt cancellation in Haiti;
- Promote increased poverty-focused aid and Fair Trade, not loans and more debt. Work with the ONE campaign, to promote these legislative initiatives in US Congress;
- Support increases in Global AIDS Fund and other global drug and immunization initiatives;
- Collaborate with Jubilee South and other global trade groups regarding the IMF role as “adviser on macroeconomic policy” given its dismal failure with SAP’s and privatization. Explore a strategy to remove IMF from monitoring role of debt cancellation agreements;
- Jubilee = debt cancellation and trade justice. Make the linkages with other NGO’s working on trade justice.

### **IV. Delegation Participants**

Lauren Harris, Jubilee San Diego, CA

Robin Lloyd, Green Valley Media, Vermont

Lynne Smouse Lopez, Pastor, Ainsworth United Church of Christ, Portland, OR

Dustin Pattison, Bola Moyo, Portland, OR

Cara Pattison, Bola Moyo, Portland, OR

Caroline Pearce, Senior Campaigner, Jubilee Debt Campaign, London, UK

Pat Rumer, Co-Chair, Jubilee USA Coordinating Committee, Jubilee Oregon, Portland, OR

Kathy Shuman, Jubilee Northwest, Seattle, Washington

Kristin Sundell, Outreach and Congregations Coordinator, Washington, DC

Susan Thompson, Medical Mission Sisters, Washington, DC

Neil Watkins, National Coordinator, Jubilee USA Network, Washington, DC

Alice Woldt, Jubilee Northwest, Seattle, WA

Nancy Yuill, Co-Chair, Jubilee Oregon, Portland, OR

*The following participants joined us in Nairobi only for the World Social Forum:*

Mark Harrison, United Methodist Church Board of Church in Society, Washington, DC

Trisha Rogers, Director, Jubilee Debt Campaign, London, UK