



Africa Action Stands with African Voices on Debt Cancellation

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“Indebtedness is still robbing the peoples of Africa, Latin America and Asia of their rights – their rights to independence and political autonomy, as well as to health, education, water and all the other essential goods and basic services which should be available to all.”

-Declaration on Debt • World Social Forum 2007 • Nairobi, Kenya

Africa’s debt burden, the result of a long history of unjust and unbalanced neo-colonial relations with rich creditor nations and institutions, saps \$14 billion per year out of African economies. Over the years, this servicing of the sub-Saharan continent’s more than \$200 billion debt burden has routinely eliminated the resources necessary to promote economic development and to invest in people. As significant chunks of African governments budgets are slotted towards debt payments, the loss is profoundly felt in vital social sectors, such as health and education.

Africa Action stands in solidarity with the voices of African social movements, organizations and activists, calling for justice and for the cancellation of Africa’s illegitimate debt. In decades of economic exploitation by wealthy creditors and international financial institutions, the swell of opposition to unjust debt and economic relations has clearly emerged in Africa.

This Africa Action statement offers examples of the widespread and organized movement across Africa to expose the devastating effects and illegitimate nature of Africa’s debt, and to spread the call for immediate 100% debt cancellation.

Africa’s Debt is Illegitimate

Both the origins and the consequences of Africa’s overwhelming debt burden clearly demonstrate the illegitimacy of such creditor claims on African national resources. In many cases, with the complicity of the lenders, loans were made to non-representative rulers who did not use the funds to benefit the people. Irresponsible lending practices also led to the funding of failed and harmful “development” projects, for which local communities continue to pay the price.

In Liberia, throughout decades of corrupt and violent rule that ended with the downfall of Charles Taylor in 2003, international creditors continued to provide support to the repressive regimes. Liberia’s current debt burden of \$3.5 billion now poses a huge obstacle to reconstruction and progress. As Liberian President Ellen Johnson Sirleaf stated in May 2007, **“It’s not fair for our young children to inherit this debt from which they’ve received very little benefits.”**

At the World Social Forum, held in Nairobi, Kenya in January 2007, Kenyan Nobel laureate Wangari Maathai said, **“Indeed, the loans were used to oppress the people, strengthen the ruling and cooperating elites, and exploit resources at the expense of the health of the environment and the welfare of the people.”**

The co-responsibility of international creditors in perpetuating historical injustices reverberates in the present, as populations in African countries continue to be denied resources as a result of debt servicing. In the face of the vital need for economic development, educational opportunities, resources to combat the HIV/AIDS pandemic, and other priorities, major international creditors must acknowledge the tainted history of this illegitimate debt and extend cancellation immediately.

Demba Dembele, of the African Forum on Alternatives, stated in March 2005, **“Finding a lasting solution to Africa's external debt is a matter of justice and fairness. It is not a matter of charity.”**

Furthermore, debt relief initiatives such as the Heavily Indebted Poor Countries (HIPC) program, as structured by the international financial institutions, require participating countries to adhere to externally imposed economic programs. These conditionalities strip African governments of their ability to determine their own spending and further delay debt cancellation. In February 2007, Jubilee Zambia explained, **“The international debt resolution system is so unfair because while debtor countries were forced to comply with conditionalities in the HIPC deal and meet contradicting creditor terms, they were not protected by the international debt and financial system.”**

The Threat of Vulture Funds

In the struggle for economic justice for the global South, the emerging phenomenon of vulture funds presents a new and disturbing threat. Vulture funds are companies that purchase the debt of a country at a discount and then sue for repayment of the full amount plus additional penalties. As countries begin to become eligible for debt cancellation, the reduced value of their debt makes them vulnerable to such predatory exploitation.

While the debt deal negotiated by the Group of 8 (G8) wealthy nations in 2005 has provided partial debt cancellation to a handful of low-income countries, the anticipated benefits to these countries are being compromised by vulture funds. In April 2007, a court in Britain ruled that Zambia must pay the vulture fund Donegal International more than \$15 million, cutting into the \$40 million savings Zambia expected due to debt cancellation.

In a letter to the Jubilee USA Network in March 2007, Lameck Simwanza of Women for Change, a Zambian organization, stated, **“Women for Change and other civil society organizations ... see the vulture fund as another way of perpetuating debt by countries in the North on those in the South. The vulture money being demanded from Zambia would go a long way in fighting poverty, improve access to health and education.”**

Sitali Muyatwa, Acting Coordinator of Jubilee Zambia, said in June 2007, **“These vulture funds are eroding the limited gains of debt relief approved at the 2005 G8 summit, and they further threaten the prospects of meeting the MDGs [Millennium Development Goals]. The G8 leaders should explicitly reprimand these vulture funds in the same way they reprimand debtors who slide off the austere conditionalities required for debt relief.”**

The Effects of Africa’s Debt and the Promise of Debt Cancellation

The lost opportunities for government investment in social services and promotion of economic development are the ongoing and tragic legacy of Africa’s debt burden. As Nobel laureate Wangari Maathai described at the World Social Forum in January 2007, **“The debt burden continues to make it impossible for many governments to give services to the people.”**

Augustine Mkandawire, Research and Monitoring Consultant for the African Monitor, said in May 2007, **“The repayment of debt is robbing developing countries of the millions that they could be investing in creating employment and making progress in human development. ... Time is of the essence when it comes to saving lives.”**

In recent years, as an incomplete list of African countries has begun to receive debt cancellation, the resulting benefits have been felt throughout wide sectors of the population. After receiving partial debt cancellation, Malawi has been able to train 4,000 new teachers per year. Cameroon plans to use the newly freed funds to build some 1,000 new health facilities over the next six years. Tanzania has used its now available resources to build more than 2,000 new schools.

This progress provides a glimpse of the possible future benefits of 100% debt cancellation for Africa and the global South. Africa Action joins debt campaigners in Africa in calling for the recognition of the illegitimate nature of Africa’s debt. Africa Action demands that the U.S. and the international financial institutions cancel the debt now and without harmful economic conditions.

More Reading on Africa’s Debt

- **Africa Action Talking Points on the G8 and Africa**, June 2007.
<http://www.africaaction.org/newsroom/docs/G8TalkingPoints2007.pdf>
- **Africa Action Statement on Illegitimate Debt**, April 2007.
<http://www.africaaction.org/newsroom/docs/IllegitimateDebt0407.pdf>

For more information on Africa Action’s Campaign to Cancel Africa’s Debt, visit
<http://www.africaaction.org/debt>.

