

Debt Cancellation

ISSUE: Debt that fuels deadly poverty

Debt cancellation is central to the fight to eradicate deadly poverty and disease around the world and achieve the Millennium Development Goals (MDGs). Every year, poor countries spend tens of billions of dollars repaying old debts to wealthy countries and international-financial institutions like the World Bank and International Monetary Fund (IMF). This is money that could be used to put children in school, fight AIDS, ensure access to clean water, and deliver anti-malaria bed nets.

Many poor countries spend more money in debt payments each year than they receive in poverty-focused foreign assistance from countries like the United States, with some poor countries spending more on debt repayments than in health and education spending combined. Sub-Saharan Africa, the world's poorest region, receives just over \$13 billion per year in foreign aid but pays close to \$15 billion in debt repayment. Today, more than 65 poor countries need complete cancellation to meet the poverty-eradication targets in the MDGs. A new proposal in Congress called the Jubilee Act (HR 2364) would put these countries on the path to full cancellation of debt.

BACKGROUND: How the debt accumulated, and why we should cancel it

There are many reasons poor countries are in debt. Some debts are the result of reckless borrowing by past corrupt regimes that spent the money in ways that had little to do with the well-being of their people. Other debts were accumulated in as a result of irresponsible lending by rich governments and international-financial institutions which – in the face of collapsing currency prices and interest rates in the 1960s and 70s – loaned money indiscriminately to poor countries without considering the countries' ability to repay the loans. In nearly all cases, the loans are decades old and the burden for repaying them has fallen on people living in poverty who had no role in amassing them in the first place.

Since 1970, poor countries in Africa have paid more than \$550 billion in loan payments to wealthy creditors, *more than \$10 billion above the original value of the loans*. Despite this, these countries still owe close to \$300 billion in payments. Because of the stranglehold this cycle places on poor-country governments, the Millennium Development Goals (MDGs) challenge the industrialized world to cancel the remaining debts of poor countries as part of a comprehensive approach to poverty reduction that also includes fairer trade rules and expanded foreign aid. **Debt cancellation is not a silver bullet in the fight against poverty, but the MDGs cannot be achieved without debt cancellation.**

Debt Cancellation Works!

Debt cancellation has been among the most successful of the world's responses to deadly poverty and disease. Uganda – the first country in the world to benefit from debt cancellation under the HIPC program – brought clean water to 2.2 million people, doubled primary-school enrollment, and reversed the rates of HIV infection. Also as a result of HIPC, Mozambique has increased rates of childhood immunizations and vaccinations by more than 80 percent, Tanzania and Benin have eliminated school fees and put millions of children back in school, and Burkina Faso has built hundreds of schools and significantly expanded the national-health ministry.

These successes have been significant, and in most cases, immediate. **Other poor countries now need to see the same opportunities. Poor-country governments stand ready to invest in the health and well-being of their people if the resources are made available.**

U.S. AND INTERNATIONAL POLICY: Building on past success

Beginning in the early-1990s, people of faith and other citizens around the world began advocating for rich governments to begin the 21st Century by canceling the debts of poor countries. Under the banner of "Jubilee 2000," the movement included tens of millions of people and drew support from prominent religious figures like Archbishop Desmond Tutu, Pope John Paul II, Bishop Frank Griswold, and the Rev. Pat Robertson. These efforts resulted in world leaders agreeing in 1999 to a major expansion of the **Highly Indebted Poor Countries' Initiative (HIPC)**, a program of the World Bank and IMF to relieve the debts of more than 40 poor countries with good governments committed to investing in the health and well-being of their people. The U.S. added to HIPC by canceling debts owed directly to the U.S. by countries in HIPC.

HIPC did not cancel all debts, however, and many countries still spend too much money on debt, often taking on new loans to repay old ones. As a result, the leaders of the world's eight most-industrialized countries – the so-called G8 – agreed in 2005 to free HIPC countries from all remaining debts owed to the World Bank, IMF and the African Development Bank. The historic deal also calls for a move from loans to grants for the poorest countries in the world in an effort to end to cycle of debt. Even with these past successes, however, there are still more than 65 countries around the world that need immediate and complete debt cancellation to achieve the MDGs. The Jubilee Act (HR 2364) begins this process, directing the U.S. Secretary of the Treasury to begin working with other international partners on a new worldwide debt-relief plan that would cancel both bilateral debts owed by poor countries to the U.S. and multilateral debts to international-financial institutions. It would also provide for responsibility in future lending so that poor countries do not accumulate new debt.

2007: The Sabbath Year

The biblical concept of Jubilee – highlighted throughout the Old Testament and expressed in the ministry of Jesus – animates Christians working for debt cancellation. In the Books of Leviticus and Deuteronomy, God speaks to Moses and commands that every seventh year, Israel keep a Sabbatical or **Sabbath Year** in which all are to rest from working the fields and vineyards, and debts are to be forgiven. After seven sets of Sabbath years (seven times seven, plus one) the fiftieth year is to be a **Jubilee Year**. In the Jubilee Year, God calls his children to allow the land to lie totally untouched, to set slaves free, to return property to its original owners, and to cancel debts.

As 2000 was a Jubilee Year, 2007 is now a Sabbath Year, and people of faith and other debt campaigners around the world are calling for new and significant commitments to break the chains of debt and "proclaim the year of the Lord's favor."

WHAT YOU CAN DO

Join the ONE Episcopalian campaign at www.episcopalchurch.org/ONE. Your voice, along with the voices of the 2.4 million other Americans uniting as ONE can help the world turn the tide against the debt crisis. If you're interested in deeper engagement in the ONE Episcopalian campaign in your local community, email Alex Baumgarten at abaumgarten@episcopalchurch.org.

GENERAL CONVENTION RESOLUTIONS RELATED TO DEBT CANCELLATION

The 71st General Convention in 1994 provided the Episcopal Church's first endorsement of debt relief through resolution D029, a position re-affirmed in 1997 (D015) and 2000 (B040), and through the Church's endorsement of the MDGs in 2003 (D006) and 2006 (XXX). The Anglican Communion also has endorsed debt cancellation through resolution 1.15 of the 1998 Lambeth Conference of Bishops.

OTHER RESOURCES

Jubilee USA: www.jubileeusa.org

The ONE Campaign: www.one.org

DATA (Debt, AIDS, Trade, Africa): www.data.org